

EUROPEAN PARLIAMENT

Working Documents

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DOCUMENT 1-93/81

Report

drawn up on behalf of the Committee on Transport

on the construction of a Channel tunnel

Rapporteur: Mr P. de KEERSMAEKER

1.2.1

On 25 March and 18 June 1980 respectively the Motions for a Resolution by Mr BERKHOUWER (Doc. 1-48/80) and Mr BOYES and others (Doc. 1-242/80), pursuant to Rule 25 of the Rules of Procedure, on the construction of a Channel Tunnel were referred to the Committee on Transport.

On 18 June 1980 the Committee on Transport appointed Mr DE KEERSMAEKER Rapporteur.

It considered the draft report at its meetings of 20 February and 20 March 1981 and at the latter meeting unanimously adopted the Motion for a Resolution and explanatory statement.

Present: Mr Seefeld, Chairman; Dame Shelagh Roberts, Vice-Chairman; Mr De Keersmaecker, Vice-Chairman and Rapporteur; Mr Albers; Mr Buttafuoco; Mr Gendebien; Mr Janssen van Raay; Mr Klinkenborg; Mr Moorhouse; Mr Moreland; Mrs von Alemann and Mr Voyadzis.

The opinion of the Committee on Regional Policy and Regional Planning is attached.

The opinion of the Committee on Social Affairs and Employment will be published separately.

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A.

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

MOTION FOR A RESOLUTION

on the construction of a Channel Tunnel

The European Parliament,

- having regard to the motions for a resolution by Mr BERKHOUWER (Doc. 1-48/80) and Mr BOYES and others (Doc. 1-242/80),
 - having regard to the report of the Committee on Transport and the opinions of the Committee on Regional Policy and Regional Planning and the Committee on Social Affairs and Employment (Doc. 1-93 /81),
 - whereas, in the preamble to the Treaty of Rome, the Member States of the Community declare themselves 'determined to lay the foundations of an ever closer union among the peoples of Europe',
 - having regard to Article 74 of the Treaty,
1. Affirms its wholehearted support for the construction of a fixed link across the Channel;
 2. Is convinced that the political importance and overall economic and trade advantages of a Channel link will be felt not only in France and the United Kingdom but throughout the Community as a whole;
 3. Considers that the linking of two Member States through a major infrastructure project of this nature would be seen by European public opinion as an unequivocal act of faith in the underlying objectives of the Community, and as such would provide a political and psychological boost to the Community's activities in general;
 4. Emphasises that plans for a fixed link have existed for well over a century, that current technology would enable the building of such a link today and that, according to detailed studies undertaken for the Commission, a number of projected schemes already seem to offer socio-economic benefits for the Community as a whole and to be financially viable;
 5. Therefore urges the competent authorities at both Community and national level, including the Council of Ministers, the Commission, and the Governments of the Member States most directly concerned,

to spare no effort in resolving any outstanding political or other problems in order to bring this project to fruition once and for all;

6. Considers that the Community could only benefit, in terms of both its development and its public image, from being associated and involved with this project at a practical level, and would therefore look favourably upon the principle of financial support from the Community; points out also, in this connection, that the Member States should give notice of this project to the Community in the context of the procedure laid down by the Council Decision of 20 February 1978;
7. Stresses the need for the swift adoption by the Council of the 1976 proposal for a regulation concerning aid to projects of Community interest in the field of transport infrastructure¹, and mindful of the resources which might be made available in the context of the 'New Community Instrument', the ECSC and the European Investment Bank (and possibly the European Regional Development Fund as regards regional impact), feels that it might be in the Community's interest to consider a Community contribution to the construction of this link, in accordance with arrangements to be worked out and proposed;
8. Consequently urges the Commission to continue to treat the question of a Channel link as one of the priority issues within the framework of its attempts to launch a transport infrastructure policy;
9. Requests the Commission in addition to examining the possibilities of proposing a Community contribution towards the project in the form of loans, to draw up, by the end of 1981, a specific report on the problems of financing the link and the possibilities for Community assistance justified by a prior analysis of the cost and benefit to the Community, and more particularly on arrangements for a Community guarantee over a period to be determined; stresses, furthermore, that all the instruments to be employed should be set in the context of the 1976 proposal for a regulation concerning aid to projects of Community interest in the field of transport infrastructure¹;

¹ OJ No. C 207, 2.9.1976

10. Is convinced, moreover, that the successful implementation of a Channel link will constitute a most useful precedent for the implementation of other major fixed link and infrastructure projects throughout the Community (for example, a bridge across the Messina Straits, the Rhine-Rhone canal and others);
11. Welcomes the benefits which a Channel link will bring in terms of the application of a common transport policy and a common transport infrastructure policy, and takes the view that the economic advantages of such policies can only help to raise the living standards of all the peoples of the Community, in accordance with Article 2 of the EEC Treaty;
12. Welcomes the attention given by the report prepared for the Commission to the effect of the Channel link on less-favoured regions and urges the Commission to pay particular attention to the economic and social implications for the Community's less-favoured regions when examining projects for a Channel link;
13. Believes that the less-favoured regions of the Community have most to gain from a properly conceived transport infrastructure policy implemented alongside an effective regional policy;
14. Takes the view, therefore, that any impetus to Community infrastructure policy by the construction of a Channel link is in the long-term interests of the regions;
15. Points out that the study of possible alternative forms of fixed link recently undertaken for the Commission indicates that a fixed link would permit substantial savings to be made in transport costs, as well as stimulating the economy in general;
16. Stresses the particular benefits to be derived from the building of a fixed link by the construction and steel industries, and expresses the hope that the bulk of this demand will be met by plants in development areas;
17. Also believes that a substantial increase in freight and passenger traffic across the Channel should provide greater security for a continued growth in the labour force associated with that traffic;

18. Emphasises, without prejudice to the deliberations and final decision of the United Kingdom and French Governments, the following factors with regard to a rail tunnel scheme:
- (i) it should enable the operation of rapid freight services from provincial centres throughout Europe to provincial centres in the United Kingdom;
 - (ii) a rail scheme would seem to offer clear advantages in terms of cost, and environmental and energy considerations; furthermore, the construction of a single-track tunnel would not prejudice other projects which might be scheduled for a later date;
 - (iii) a fixed Channel link in the form of a rail tunnel would undoubtedly provide a boost to Community railway policy - a policy area somewhat neglected in recent years - without significantly altering the position of the road transport sector;
19. Expresses its earnest hope to the French and United Kingdom Governments that, given the dangers of cost over-run they will be in a position to reach an agreement on this matter without undue delay;
20. Instructs its President to forward this resolution to the Council and the Commission, and to the Transport Committees of the National Parliaments.

EXPLANATORY STATEMENT

1 THE EUROPEAN PARLIAMENT AND THE CHANNEL TUNNEL - BACKGROUND

1. In its resolutions over the years, the European Parliament has consistently supported the principle of a fixed link across the Channel between France and the United Kingdom. In the resolution contained in the general report by Mr HILL on behalf of the Committee on Regional Policy Regional Planning and Transport on permanent links across certain sea straits (Doc. 319/74), Parliament noted that 'certain sea straits within the Community constitute an impediment not only to the development of an inter-connected Community transport network, but also to the economic and social development of certain regions'.

2. The subsequent report by Mr NYBORG (Doc. 185/77), Part II of which had as its subject the motion for a resolution tabled by Mr BERKHOUWER and others on the construction of a tunnel under the English Channel (Doc. 7/76), refers specifically to the Channel Tunnel project and the possibility of Community financial assistance for such projects.

3. However, the main body of Mr Nyborg's report dealt with the communication from the Commission to the Council on action in the field of transport infrastructure and on the Commission proposals for a decision instituting a consultation procedure and creating a committee, and for a regulation concerning aid to projects of Community interest, in the field of transport infrastructure.

Your rapporteur would therefore point out that the present document is the first report drawn up within the European Parliament which deals exclusively with a Channel link.

4. In addition to the reports drawn up on behalf of the committee responsible, since 1970 individual Members of the European Parliament have tabled numerous oral and written questions with a view to stimulating debate and reviving interest in the subject of the Channel Tunnel¹.

¹
Written Question 426/70 De Oele
Written Question 213/71 De Conste
Written Question 836/75 Seefeld
Question No. H-226/75 Dalyell
Question No. H-264/75 Osborn
Question No. H-214/76 Berkhouver
Question No. H-237/76 Mrs Dunwoody
Oral Question 479/74 Hill and others

Oral Question 546/75 Berkhouver
Written Question 119/78 Durieux
Written Question 250/78 Seefeld
Written Question 310/78 Seefeld
Written Question 339/78 Berkhouver
Question No. H-80/78 Brown
Question No. H-84/79 Cottrell
Oral Question 617/79 Galland & others
Oral Question H-476/80 Berkhouver

5. The Channel Tunnel has frequently been referred to as a test case in general discussions within the Committee on Transport relating to Community infrastructure policy, and particularly with regard to the 1976 Commission proposal for a regulation on aid for transport infrastructure projects.

The latest resolution tabled by Mr BERKHOUWER (Doc. 1-48/80) on the construction of a Channel tunnel, which was referred to the Committee on Transport on 25 March 1980, also affirms, inter alia, that such a link 'would represent major progress towards improving the entire transport infrastructure in the north-west of the Community'. A number of events have combined to make that resolution particularly timely viz: the publication of the preliminary British Rail/SNCF project in February 1979, the not unfavourable reaction from the British Minister of Transport in the House of Commons on 19 March 1980, the financing by the Commission of two studies concerning the construction of a fixed link across the Channel¹, and the organization by the Commission on 6 June 1980 in Brussels of a colloquy on transport infrastructure. Your rapporteur pays tribute, in this connection, to the resolute pursuit by the Commission over the last few years of priority objectives in the vital field of Community transport infrastructure policy, and trusts that this resolve will eventually be matched by a similar sense of commitment and urgency within the Council of Ministers.

6. The second resolution forming the subject of this report, that by Mr BOYES and others (Doc. 1-242/80), is no less timely and was referred to the Committee on Transport on 18 June 1980. This resolution specifically refers to 'the expected social and economic effects on deprived regions of the building of a Channel tunnel'.

In the light of these two resolutions, and given the far-reaching implications of the Channel tunnel project, your rapporteur intends to give thorough consideration in this report to the economic, social and regional aspects of the project, in addition to those relating to transport infrastructure policy.

¹ 'Study of the Community benefit of a fixed Channel crossing' - Coopers and Lybrand Associates/Setec Economie

II EVOLUTION OF THE CONCEPT OF A FIXED CHANNEL LINK

Origins

7. Since Mathieu's project in 1802 there have been various schemes for constructing a tunnel under the Channel between France and the United Kingdom. The idea of a bridge rather than a tunnel has also received support. As long ago as 1875, an Anglo-French consortium actually bored lengths of trial tunnel at Dover and Sangatte. However, despite the fact that the geology of the area posed comparatively few problems, even to the technology of a hundred years ago, the various projects came to nothing largely for military reasons, the United Kingdom in particular seeing the advantages of preserving the Channel as a defensive barrier of great value particularly when coupled with a strong naval force.

8. It was not however until 1955 that the United Kingdom Government announced that earlier considerations against a tunnel were no longer valid and shortly after this serious Anglo-French explorations of the possibility of constructing a tunnel or a bridge started. In 1963 a Working Group of British and French officials reported on these proposals¹. This body concluded that either a bridge or a tunnel was technically feasible, but for reasons of price, danger to navigation and legal difficulties, it considered that a tunnel was preferable. The Working Group also recommended, for reasons of cost, that the tunnel should be for railway only and, for technical and legal reasons, should be bored rather than constructed as an immersed tube.

9. In 1964 the French and British Governments announced their agreement in principle to the construction of a rail tunnel under the Channel, subject to further discussion of the legal and financial problems. In 1972 parallel agreements between the governments and the members of the Anglo-French group chosen to finance and construct the tunnel were signed. Further details of these agreements are to be found in Section II of Mr Hill's report (Doc. 319/74), to which reference has been made in paragraph 1 above.

The 1975 project and its abandonment

10. The tunnel defined under the abovementioned agreements consisted of a triple-bore tunnel 50km in length, with large-scale ferry railway facilities at either end located in terminals each covering an area of up to 250 acres.

¹ Proposals for a Fixed Channel Link': 1963 Cmnd. 2137 HMSO

11. Furthermore, the 1975 tunnel project comprised the comprehensive improvement of rail connections between Folkestone and London and Calais and Paris. In the case of the United Kingdom link, this improvement amounted to the construction of large sections of new line. The entire stretch from Folkestone to London was to be electrified.

12. In the event, work on the Tunnel was started, and was in its second phase, that of the initial works, when the project was abandoned or suspended unilaterally by the United Kingdom on 20 January 1975. In addition to a number of environmental objections which were raised, the formal reasons for this abandonment arose because of the United Kingdom Government's refusal to accept the estimated costs of £500 million for a new rail link from London to the Channel tunnel. Such a link was deemed necessary in order to adapt British rolling stock to the wider continental loading gauge and to ensure high-speed communications. This estimated £500 million (which had been costed at only £120 million the year before) would, it has been estimated¹, have doubled the cost of the tunnel and increased its revenues at the most by one-fifth.

13. The United Kingdom Government requested the two tunnel companies and the French Government to put back the original timetable to reassess lower-cost rail link possibilities, but these companies exercised their contractual right to withdraw from the venture, which they did despite proposals that the 'clock should be stopped' for a period ranging from several months to a year.

Revival of the concept of a fixed link (1979)

14. The year 1979 saw a remarkable resurgence of interest in the project of a fixed Channel link. The starting-point was the submission to the French and United Kingdom Governments in February 1979 of a report summarizing the results of technical and economic investigations into a single-track rail tunnel, on which the SNCF and British Rail had begun work the previous year. It was emphasized that, put in broad terms, the objective of the two national railway companies was to find the simplest and cheapest way of linking the two national rail networks. They therefore excluded the provision of the vast marshalling yards and new high-speed links which had been required under the previous project.

At a period of financial stringency throughout the EEC, the national railway companies' evident desire to cut costs to the minimum seemed to strike a favourable chord both in public opinion and in government circles (see paragraphs 24 and 25 below for the reaction of the United Kingdom and French Ministers of Transport).

¹ 'The Economist' 30.11.1974

15. As mentioned above, less than one month after the submission of the initial SNCF/British Rail report, the EEC Commission published studies relating to a cross-Channel link which had been undertaken for it by Coopers & Lybrand Associates of London and Setec Economie of Paris. The ~~former~~ study, however, did not confine itself to the possibility of a rail link but looked at all the major options for a fixed link across the Channel viz:

- (i) single-track rail tunnel;
- (ii) double-track rail tunnel;
- (iii) road bridge;
- (iv) road bridge plus single-track rail bridge.

Below is a summary of the description of each option as given in the Coopers & Lybrand.

16. Single-track tunnel project: the SNCF/BR proposal is for a single-track tunnel carrying one rail track which would be used by trains in both directions. The tunnel would be built to accommodate the standard dimensions adopted by the International Union of Railways (UIC). According to the study, the provision of the gauge - larger than that used in the United Kingdom - requires further examination as it is unlikely that rolling stock on UIC gauge would ever be able to penetrate far beyond the tunnel terminal. The operating tunnel would be built to a 6m diameter (thus high enough for overhead electrification) and would be linked by passageways to a 4.5m diameter service tunnel¹.

17. Double-track rail tunnel: this scheme would provide for two main tunnels constructed to a 7m diameter, the extra height (as compared with the single-track tunnel) permitting the operation of double-deck wagons for the convergence of road vehicles.

18. Road bridge: the version of the bridge considered consists of a double carriageway road with no rail facilities. The bridge would have a minimum clearance of 65m above sea level, consisting of two viaduct sections near the coast and eight 2km suspended spans in the centre of the Channel. The supports of the bridge would be protected from shipping by surrounding islands of tipped materials.

19. Road bridge plus single-track rail bridge: this is a combination of the above two schemes and offers the possibility of solving simultaneously the need for both road and rail links.

20. The study points out that the selection of these four options in no way implies that other projects have been rejected as being unattractive. Rather, the view was taken that there was no available evidence to suggest that extending the list would have a particular effect on the nature and evaluation of Community interest.

¹ Your rapporteur gained the impression from talks with French and British railway officials that, at the time of writing and contrary to certain affirmations, the questions of the gauge and the diameter had not yet been fully settled

21. The following tables, taken from the Commission's summary of the Coopers & Lybrand study, show the estimated capital costs and rates of return of the four options.

A CAPITAL COSTS (in £m at January 1979 prices):

	Single-track rail tunnel	Double-track tunnel	'Link into Europe' bridge
Tunnel/main structure	495	754	1651
Terminal installations	62	202	75
Rolling stock	16	109	-
Misc. (studies etc.)	-	151	505
	573	1216	2231
Less work already carried out	-	44	-
	573	1172	2231
Complementary infrastructure	44	136	200
	617	1308	2431

NB The cost of a combined road bridge/single-track tunnel scheme is assumed to be equal to the sum of the costs of the bridge and the single-track tunnel

B RATE OF RETURN ('low growth'):

		FLOWS UP TO YEAR 2000				FLOWS OVER 50 YEAR LIFE			
		Single Track	Double Track	Road Bridge	Road Bridge plus Single Rail	Single Track	Double Track	Road Bridge	Road Bridge plus Single Rail
IRR	(%)	11.0	8.3	-3.7	-2.0	14.3	12.6	8.7	8.8
NPV's (£m discounted to 1979)	3%	464	377	-971	-799	2162	4213	1725	2999
	5%	277	285	-1026	-966	1131	2074	282	901
	10%	26	-91	-1006	11086	213	280	-739	-857

C RATE OF RETURN ('high growth')

		FLOWS UP TO YEAR 2000				FLOWS OVER 50 YEAR LIFE			
		Single Track	Double Track	Road Bridge	Road Bridge plus Single Rail	Single Track	Double Track	Road Bridge	Road Bridge plus Single Rail
IRR	(%)	10.9	10.9	0.7	1.9	14.3	14.9	8.7	9.1
NPV's (£m discounted to 1979)	3%	469	987	-408	-257	2265	6651	5202	6512
	5%	279	586	-617	-573	1183	3335	2070	2698
	10%	26	54	-814	-904	223	612	-283	-243

22. The study attempts to calculate the profitability of projects both under a 'low growth' scenario, under which it is assumed that the relative cost of fuel will rise by 3% per annum to 1985 and by 1.5% per annum thereafter, and a 'high growth' scenario, under which it is assumed that the relative cost of energy will remain unchanged between July 1979 and 2000. Low growth assumes average EEC growth of 1.7% in 1985 and 2% in 1985-2000, high growth assumes average EEC growth of 3.2% to 1985 and 3.5% in 1985-2000.¹

The study concludes that all the projects promise to be profitable over fifty years in the low growth case at discount rates of 5.7% or less. The return on the road bridge plus single rail, the double-track tunnel and the single-track tunnel are predicted to be 6.8%, 12.6% and 14.3% respectively.

The single and double-track tunnels promise profitability by the year 2000, in the former case using an 11% and in the latter case an 8.3% rate. Coopers & Lybrand affirm that neither of the bridge schemes are likely to be profitable within the same period.

23. However, your rapporteur wishes to point out neither the Coopers & Lybrand or the Setec study has made any independent assessment of costs, but merely reproduces the estimates put forward by the promoters of each project. Estimates also vary considerably with regard to the cost of the additional infrastructure which each project would require.

Position of the United Kingdom and French Governments

24. On 19 March 1980 Mr Norman Fowler, British Minister of Transport, made the following statement to the House of Commons: 'If a scheme is commercially sound I see no reason why private risk capital should not be available If the detail of any scheme is right, then clearly there is a very good prospect that this tunnel can go ahead. The cost of any scheme would be very large and I should make it clear now that the Government cannot contemplate finding expenditure on this scale from public funds.'

Following that statement, the Minister asked for all other schemes for a Channel link, and the finalized SNCF/British Rail scheme, to be submitted to the United Kingdom Department of Transport by the end of 1980², after which date the Government would undertake a detailed comparative study to determine the most suitable project. A final decision by the United Kingdom Government can reasonably be expected some time before the end of 1981.

¹ All figures are net of inflation

² Deadline later extended to 31 January 1981

25. The French Government has taken a more cautious stance, and would appear unwilling to make a public statement of support for a Channel link before receiving the final report on the SNCF/British Rail project. Any reticence is understandable in view of the unilateral abandonment of the 1973-75 project by the United Kingdom. The French position has been defined in two statements by the former Minister of Transport, Mr Le Theule. On 24 May 1978 the Minister declared that 'the French Government would be prepared to resume studies with a view to submitting a new Channel tunnel project if the British authorities were to make it known that they had decided to reverse the negative position which they have held up to now'.¹ On 11 August 1978 Mr Le Theule stated that 'the French and British Governments have not resumed any negotiations on the subject of the Channel tunnel. The French railways are pursuing, under their sole responsibility, technical and economic studies on a new project for a single-track rail tunnel'.²

26. Your rapporteur therefore feels justified in assuming that, from the point-of-view of the French Government, two essential conditions must be fulfilled before it can publicly declare its support for a Channel link:

- (i) agreement between the two national railway companies;
- (ii) a political gesture from the United Kingdom Government.

¹ Source: Submission to the House of Commons Transport Committee by Mr Ravenet, chargé de mission at the SNCF

² idem

III IMPLICATIONS FOR THE EUROPEAN COMMUNITY

1976 proposed regulation on Community aid for infrastructure projects

27. Few followers of Community transport policy are likely to be unaware that in 1976 the Commission submitted to the Council proposals for a decision instituting a consultative procedure and creating a committee in the field of transport infrastructure and for a regulation concerning aid to projects of Community interest in the field of transport infrastructure¹.

In 1978 the Council adopted the first proposal, which became the Decision of 20 February 1978 instituting a consultation procedure and setting up a committee in the field of transport infrastructure.

As regards the second proposal, on aid to infrastructure projects the Council has not yet reached a decision. At the meeting of the Co of Transport Ministers held on 24 June 1980, 'the Council agreed to instruct the Permanent Representatives Committee to continue work on the whole matter in order to supply it as soon as possible with all the facts necessary for a decision at a forthcoming meeting'.²

28. In its Memorandum on the role of the Community in the development of transport infrastructure³, the Commission identifies certain infrastructure links which it believes merit particular attention, one such category being 'links overcoming natural obstacles'. With reference to this category the Commission states 'there are several links where the sea or mountains greatly reduce the quality of service: the Channel crossing, the Alpine link between Germany and Denmark (via Fehmarn), links between Germany and Italy and the Apennines crossings'.

29. In paragraph 31 of the Memorandum, the Commission makes the point that financial aid will assist the execution of projects which will allow a bottleneck affecting Community traffic to be removed, together with projects which facilitate the standardization of equipment and the coordination of work on the Community network and which would also increase the profitability of complimentary infrastructure situated in other Member States.

Your rapporteur is of the opinion that the proposal for a Channel link falls into both these two categories of project. However, as is known,

¹ OJ No. C 207, 2.9.1976

² See PE 66.300/Ann.

³ COM(79) 550 final, p.29; see also report on the Commission Memorandum by Mr KLINKENBORG (PE 65.509/rev.)

the concept of the Community interest of transport infrastructure projects has evolved somewhat since the drafting of the Commission Memorandum, particularly since the publication of the Coopers & Lybrand/Setec studies¹. The recent work undertaken in this field further strengthens in your rapporteur's view, the case for the adoption of the 1976 proposed regulation for Community aid, as regards both transport infrastructure projects in general and the Channel link in particular².

30. It should be understood that any resulting Community assistance under the said regulation would be likely to cover only a relatively limited proportion of the total costs of a project on the scale envisaged for a fixed link across the Channel.

Nevertheless, the realization of a profitable Channel link project might well prove an effective means of increasing support throughout the Community Member States for the adoption by the Council of some form of transport infrastructure 'fund', with significant consequences for Community transport policy as a whole. Irrespective therefore of the degree to which the Community might be involved in the project at a financial level, the political and psychological effects of the implementation on the Community action in the broadest sense are likely to be of considerable significance.

Regional implications

31. Concern has been voiced in certain quarters that the investment of public funds in a fixed Channel link might divert investment away from regional development areas. Your rapporteur, after having examined most carefully any evidence of a potential conflict between Community regional policy and the construction of a fixed link, takes the view that the desired complementarity between regional policy and transport policy requires the effective implementation of both policies at Community and national level. If the construction of a Channel link were to be seen as failing to further the objectives of EEC regional policy, this might well be due to certain current shortcomings in that policy rather than to any inherent 'anti-regional' feature of the Channel project itself. A truly effective regional policy is dependent upon a truly effective transport policy and vice versa. The harsh reality is that there has not always been sufficient evidence of political will for either policy in the Member States up to now.

¹ See in particular Commission report on bottlenecks and possible modes of finance (COM(80) 323 final), Chapter 2

² Paragraphs 44 and 45 below refer to the various financial instruments available at Community level, and to the possibility of a Community guarantee.

Your rapporteur takes the view that a relative lack of political will in one area should not necessarily preclude the furtherance of general policy objectives in another. To state the case in more extreme terms, if Governments are unwilling to match proposed Community assistance for development areas, that does not justify putting another spoke in the wheels of the implementation of a common transport policy.

32. Furthermore, your rapporteur would point out that the regional policy impact of a cross-Channel link may well vary considerably from one development area to another. It would therefore be erroneous to treat all development areas as a single entity for the purposes of measuring regional impact¹.

33. Strictly speaking, it is true that any public funds invested outside the development areas preclude the investment of those funds within a development area. However, this cannot be used as a criterion for political judgement, for taken to its logical extreme it would imply that no public resources should ever be spent outside the development areas (with disturbing implications for Greece in particular).

34. Your rapporteur would add, in this connection, that if the United Kingdom Minister of Transport adheres to his statement of 19 March 1980, the question regarding the diversion of public investment away from deprived regions becomes somewhat academic, given the United Kingdom Government's desire for the link to be funded exclusively from private sources. Even if this position were to be somewhat modified for any reason, there would most likely be a continued desire on both sides of the Channel to keep public expenditure down to a minimum.

35. The French end of the Channel link will be located in the Pas-de-Calais, part of which is a designated development area and could therefore expect to qualify for Community regional assistance.

On the other hand, the areas closest to the United Kingdom end of the link, namely the South East, East Anglia, and West Midlands, are currently not designated for special assistance.

36. However, from a macroeconomic standpoint, according to the calculations of the Commission consultants², there is strong evidence that the building of any one of the alternative forms of fixed link would result in lower capital and maintenance costs than the development and maintenance of

¹ See Coopers & Lybrand study, 12.3.2. et seq.

² Coopers & Lybrand, 12.3.9.

existing methods of crossing, all for a given volume of United Kingdom-Continental traffic. Considerable savings would be gained in respect of capital investment in Ro-Ro ships and ports, and in hovercraft. The capital resources thus saved should logically enable the United Kingdom and French Governments to increase regional policy spending.

37. As regards impact during the construction period, the choice of the bridge option would generate a greater demand for steel than would a rail tunnel. The bulk of this demand would most probably be met, in the case of the United Kingdom, by plants in Scotland, North-East England and Wales (all development areas). In the case of a rail tunnel, the deprived regions are likely to benefit from the demand for rail track, whereas rolling-stock capacity is spread more evenly throughout the Community regions. An additional volume of steel would be required if the tunnel were to be steel-lined.

38. However, any increase in steel demand relating to the construction of a fixed link would be largely countered by a reduction in the demand for vessels.

39. As regards the operational period, the existing pattern of route journeys for both passenger and freight traffic, bringing relatively greater benefits to S.E. England than to other regions, is likely to be maintained, save in the case of the single-track rail link in respect of freight. Such a link would attract long-distance haulage traffic, and indeed approximately 70% (3½ million tonnes) of the traffic forecast to use through freight trains via the tunnel is expected to originate or terminate beyond London, involving transits of at least 250 miles. All traffic should benefit from the improvement in transit times resulting from the introduction of through services.

Furthermore, in the view at least of British Rail, 'road traffic will in general continue to use the existing wide range of maritime services. It is unlikely therefore that there will be pressure for any large-scale industrial development in the South East, as a result of these improvements, as there might well be with a road-oriented scheme for a fixed link¹.'

¹ British Rail Memorandum to House of Commons Transport Committee.

Benefits for other Member States

40. The table set out below¹ shows that, as might be expected, the greater part of the purely economic benefits to be derived from the project fall to France and the United Kingdom (76%). The other Member States of the Community benefit by approximately 10% of the total.

Distribution by country	Net Benefits		
	% of total	Discounted at 3% high growth	Discounted at 10% low growth
France	47.0	1453.2	155.1
Belgium	3.3	102	10.9
Luxemburg			
Netherlands	2.9	89.6	9.5
Germany	2.8	86.5	2.2
Italy	0	0	0
U.K.	29.5	912	97.4
Spain	1.9	58.7	6.3
Other countries	12.6	<u>389.6</u> 3092	<u>41.6</u> 330

¹ Source: Commission summary VII/316/80/1

41. An additional picture of the extent to which other Member States will be affected by a Channel link is provided by the following figures relating to United Kingdom transit traffic by rail through France¹: in 1979 such traffic totalled 46,903 wagons, 74.49% going to or from Italy. The month of January 1980 saw an increase of 44.98% in this traffic to and from the United Kingdom by comparison with January 1979, thereby giving a clear illustration of the rapidly developing trade links between the United Kingdom and the other Community Member States.

42. Your rapporteur would make particular reference to the implications for Belgium, pointing out that Brussels, but not Paris, is situated within a 200 km radius of the French end of the tunnel. The short-term unfavourable effects on the Belgian ports should be largely compensated in the longer term by improved and more rapid access to the United Kingdom market. Belgium is already in a relatively strong trading position with the United Kingdom which in 1978 accounted for 7.5% of Belgium's total external trade, as against 6.6% in the case of France and 5.6% in the case of the Federal Republic of Germany. This favourable trend for Belgian trade and industry should improve still further with the creation of a Channel link.

¹ Source: 'Journal de la Marine Marchande', 26.6.80, p. 1505

IV FINANCING OF A CHANNEL LINK

43. As stated under paragraph 24 above, the official position of the United Kingdom Government is that any project would have to be funded wholly from private risk capital. However, this position is not quite as clearcut as it seems at first sight, for it is generally agreed that some form of guarantee would be required by bankers, at least during the construction period. It is not entirely clear whether or not such a guarantee would bring the amount in question under the Public Sector Borrowing Requirement.

The French Government has as yet expressed no official position on the question of financing, although from talks in Paris your rapporteur gained the impression of a flexible approach on the part of the competent authorities and that no serious difficulties should arise in this connection from the French side.

44. Whatever the final decisions reached on this matter by the governments, your rapporteur feels that the Community's image can only benefit from being practically involved and associated with the implementation of any project that is eventually selected. He therefore proposes that the Commission be asked to draw up a specific report, to be submitted to Parliament by the end of 1981, on the possibility of a Community guarantee over a period to be determined.

45. Such a guarantee, which would signify an unambiguous and practical expression of the Community's support for the project, might be provided over and above any loans granted under the ERDF (as regards regional impact) and the Ortooli facility (over a limited period) or by the ECSC and EIB, and in addition to guarantees, loans, interest premiums or subsidies which might be made available by the adoption of the 1976 proposal for a regulation on transport infrastructure.

V CONCLUSIONS

46. The principal technical problems involved in building a fixed link across the Channel have been solved for well over a century. The studies recently undertaken for the Commission, and the extent of interest currently displayed in financial and business circles throughout Europe, demonstrate the potential financial viability of a number of different projects.

The last remaining problems, therefore, are mainly political in nature. The Committee on Transport trusts that, given the dangers of cost over-run and in order to prevent yet another false start, the French and British Governments, actively supported by the Community, will be able to reach a final agreement without undue delay.

47. Your rapporteur has endeavoured to indicate above the benefits, both general and specific, to be derived from a Channel link, above all from a transport policy standpoint but also with an eye to regional and social policy considerations. There is a further policy area which merits consideration - namely energy; if the governments concerned were to opt for a rail tunnel, this would provide a much-needed boost to Community railway policy - a field which has been somewhat neglected in recent years. There would certainly seem to be a prima facie case for saying that a fixed Channel link in the form of a rail tunnel would lead to net energy savings¹, particularly insofar as it would draw passengers from air transport.

48. Without in any way wishing to prejudice the final decision of the French and United Kingdom Governments, the Committee on Transport, especially in view of the relative advantages in terms of cost and environmental considerations, believes the option of a rail tunnel to be particularly worthy of favourable consideration. However, there exist a number of points on which your rapporteur is less convinced viz: the relative merits of a single-track over a double-track tunnel; the most suitable diameter for the tunnel (and the precise definition of the categories of vehicles to be transported on trains using the tunnel); and the possible need for British line to be adapted to UIC gauge.

¹ NB In 15 years' time more than half the energy produced in France is expected to be nuclear-generated. The energy used to power trains through a Channel tunnel would also probably be nuclear-based.

49. As a general conclusion, however, your rapporteur would wish to affirm his wholehearted support for the principle of a fixed link across the Channel. While it is true that a certain number of technical, financial and legal issues require further detailed examination by the competent national authorities, the Committee on Transport believes most strongly that the European Parliament should give a firm lead in relaunching a project which, in the long term, can only benefit both the two Member States most directly concerned and the Community as a whole.

MOPTION FOR A RESOLUTION

(DOCUMENT 1-48/80)

tabled by Mr BERKHOUWER

pursuant to Rule 25 of the Rules of Procedure
on the construction of a Channel tunnel

The European Parliament,

- having regard to the studies carried out on behalf of the Commission by Coopers and Lybrand Associates of London and by Setec of Paris and to the report on the construction of a Channel tunnel drawn up by Sir Alec Cairncross at the request of Prime Minister Thatcher;
- believing that the construction of a Channel tunnel:
 - (a) is not only a matter of importance to the United Kingdom and France but would represent major progress towards improving the entire transport infrastructure in the North-West of the Community;
 - (b) is of great psychological value in developing a feeling of European solidarity among the citizens on either side of the Channel, inasmuch as such an improvement in communications will enable them to visit each other's countries more rapidly and more cheaply;
 - (c) no longer poses insuperable technical or financial problems and would yield such returns as to make it profitable in the short term;
- believing, furthermore, that Community participation in the construction of a Channel tunnel - either by (co-)financing through the European Investment Bank or by any other means - will link the Community more closely with the daily life of its citizens,

Invites the Commission, on the basis of the above considerations and possibly in cooperation with all the appropriate authorities in the Member States involved in this project, to draw up measures to ensure that the plans for the construction of a Channel tunnel which have been in existence for almost two hundred years are realized during the 1980s.

MOTION FOR A RESOLUTION

(DOCUMENT 1-242/80)

Tabled by Mr ROYES, Mr ADAM, Mr ALBERS, Mr BALFE, Mrs BUCHAN, Mr CABORN, Mrs CASTLE, Miss CLWYD, Mr COLLINS, Mr ESTIER, Mr GRIFFITHS, Mr GALLAGHER, Mr HUME, Mr JOSSELIN, Mr LOMAS, Mr LOO, Mr MEGAHY, Miss QUIN, Miss ROGERS, Mr SEAL.

pursuant to Rule 25 of the Rules of Procedure on the proposed Channel Tunnel

The European Parliament

- Aware of the growing lobby in the UK and France for the early building of a Channel Tunnel;
 - Understanding that the Commission is considering investing a substantial amount of money in this development;
 - Believing that feasibility studies have been carried out to compare the merits of different types of tunnel;
 - Unaware, however, of any studies which have considered the effects of building the tunnel on the already deprived regions of the UK and France;
 - Being of the opinion that if the Community has money to invest in transport systems, then the priority should be to improve regional airports, ports and road and rail systems, by which means it will ensure that the money is used for the benefit of these deprived regions.
1. Calls for a report from the Commission on the expected social and economic effects on these deprived regions of the building of a Channel Tunnel; and for a study of this question by the Parliament's Committees on Transport, Social Affairs and Regional Policy;
 2. Instructs its President to forward this resolution to the Commission of the European Community.

OPINION OF THE COMMITTEE ON REGIONAL POLICY
AND REGIONAL PLANNING

Draftsman: Mr K. SCHON

The Committee on Regional Policy and Regional Planning appointed Mr Karl SCHON draftsman of the opinion on 22 January 1981.

The committee considered the draft opinion at its meeting of 16-17 March 1981 and adopted it with one against.

Present: Mr DE PASQUALE, chairman; Mr von der VRING (deputizing for Mr Schön, draftsman); Mr BLANEY, Mrs BOOT, Mr CECOVINI, Mrs EWING, Mrs FUILLET, Mr GENDEBIEN, Mr GRIFFITHS, Mr HARRIS, Mr HUTTON, Mrs KELLETT-BOWMAN, Mr LIMA, Mrs S. MARTIN, Mr VERROKEN (deputizing for Mr O'DONNELL), Mr J.D. TAYLOR and Mr ZARDINIDIS.

1. It is not easy to predict the short, medium or long-term effects of building a fixed link between England and France on the deprived regions of the Community.
2. To begin with, the following points can be made:
 - the places where the tunnel is likely to end cannot, in the case of the Kent area, and in the case of the Nord/Pas-de-Calais region, can only to a limited extent be regarded as deprived regions in the terms of the ERDF;
 - the distance from Dover, where the tunnel will probably terminate on the British side, and the nearest deprived regions for the purposes of the ERDF is about 200 km;
 - the construction of the tunnel will have most effect on the economic and social situation of people living in the areas where the tunnel terminates on either side and its effect will diminish with increasing distance from these areas;
 - the use of a road or railway tunnel or bridge rather than the usual ferry for the carriage of passengers and goods would save approximately 100 minutes. Deprived regions are thus brought 100 minutes nearer, so to speak, to the European Communities' centres of production, consumption and decision-making.

The amount of time and money saved becomes proportionately less as the distance from Calais or Dover increases.

3. The Committee on Regional Policy and Regional Planning considers it useful and necessary to carry out a thorough investigation of the effects of this 'rapprochement' on the deprived hinterland before the Channel Tunnel project gets under way.
4. The committee shares the view of the author of the motion for a resolution that the Commission should initiate a study of this sort as it is in the Community's interests to be fully aware of the regional impact of this project.
5. The study should, amongst other things, supply details of the following:
 - effects on the climate of investment in the deprived regions of the hinterland (short, medium and long term)
 - effects on trade in the deprived regions

effects on tourism in these areas

It can be assumed that tourism in remote areas such as Scotland and Ireland would receive a not inconsiderable boost.

effects on levels of income and employment. This important aspect should be the subject of a detailed analysis, which should differentiate between short, medium and long-term effects on employment.

6. The analysis of these effects should make a geographical differentiation, based on distance from the Channel Tunnel. The Committee on Regional Policy and Regional Planning is not unaware that the Commission has already commissioned an analysis of the effects of the construction of a fixed link across the English Channel.¹

With respect to the regional impact of the project this study concludes, that 'there seems no logical reason why a fixed link in itself will change the spatial distribution of comparative advantage'.

7. The Committee would welcome a more detailed study by the Commission in which the impact on regional policy in deprived regions is described, showing differences from area to area and over a period of time. It would request the committee responsible to incorporate this suggestion in its motion for a resolution. A start on the tunnel project should not be delayed, however, by this study.
8. Whatever the conclusions of this more detailed study it should be emphasized that regional objectives are subordinate to general political considerations and that the benefits of good efficient transport in general between the United Kingdom and the Continent have also to be considered.

¹ See study 'The nature and extent of possible Community interest in the construction of a fixed link across the Channel'.

(Coopers and Lybrand Associates, London, and CETEC Economie, Paris 1979/1980)