

European Communities

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EUROPEAN PARLIAMENT

Working Documents

1977 - 1978

3 October 1977

DOCUMENT 287/77

Report

drawn up on behalf of the Committee on Regional Policy, Regional Planning and
Transport

on the proposal from the Commission of the European Communities to the
Council (Doc. 214/77) for a Regulation laying down uniform costings principles
for railway undertakings

Rapporteur: Mr John OSBORN
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PE 49.777/fin.

By letter of 20 June 1977, the President of the Council of the European Communities requested the European Parliament, pursuant to Article 75 of the EEC Treaty, to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a regulation on the necessary measures to achieve comparability between the accounting systems and annual accounts of railway undertakings.

The President of the European Parliament referred this proposal to the Committee on Regional Policy, Regional Planning and Transport.

The Committee on Regional Policy, Regional Planning and Transport appointed Mr Osborn rapporteur at its meeting of 21 September 1977. It considered the proposal at its meeting of 22 September 1977 when it adopted the motion for a resolution and the explanatory statement unanimously.

Present: Mr Evans, chairman; Mr Osborn, rapporteur, Mr Brugger, Mr Fuchs, Mr Haase, Mr Hamilton, Mr Jung, Mrs Kellett-Bowman, Mr Noé, Mr Pistillo, Mr Seefeld, and Mr Starke.

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A

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

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the proposal from the Commission of the European Communities to the Council for a regulation laying down uniform costings principles for railway undertakings

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council¹;
- having been consulted by the Council pursuant to Article 75 of the EEC Treaty (Doc. 214/77);
- having regard to the report of the Committee on Regional Policy, Regional Planning and Transport (Doc. 287/77);
- welcoming the proposal as a necessary step towards better cooperation between railway undertakings, the improvement of their financial situation and the harmonization of rules governing financial relations between such undertakings and the Member States,

1. Points out that the implementation, before the end of 1977, by the Council of this proposal and of the proposal for a regulation on the necessary measures to achieve comparability between the accounting systems and annual accounts of railway undertakings², will enable the Council to fulfil its engagement in its Decision of 20 May 1975³ to adopt the necessary measures to achieve comparability between the accounting systems and annual accounts of the railway undertakings and to lay down uniform costing principles before 1 January 1978.

¹ OJ No. C 155, 2.7.1977, p. 10

² Doc. 33/77

³ O.J. No L 152, 12.6.1975

2. Considers that the conclusions of the Advisory Committee to be set up under Article 10 of the proposal should be included in the report which the Commission is to submit to the Council every two years on the improvement of the situation of railway undertakings, and the harmonisation of rules governing financial relations between such undertakings and the States.

3. Requests the Commission of the European Communities to incorporate the following amendment to its proposal pursuant to the second paragraph of Article 149 of the EEC Treaty.

Proposal for a Council Regulation laying down uniform
costing principles for railway undertakings

Preamble, recitals and Articles 1 to 9
unchanged

Article 10

1. There is hereby attached to the Commission an Advisory Committee to assist the latter in studying the application of the principles set out in this Regulation.

Unchanged

2. The Committee shall give its opinion on any question relating to the implementation of this Regulation and shall study measures designed to improve its provisions.

Unchanged

3. The Committee shall have as its Chairman a representative of the Commission and shall consist of two representatives designated by each Member State. The Members of the Committee may obtain the assistance of experts designated by them. The Committee shall be convened by the Commission which shall provide the necessary secretarial services.

Unchanged

4. The Committee's conclusions shall be included in the report which the Commission is to submit to the Council every two years pursuant to Article 14(1) of Council Decision 75/327/EEC of 20 May 1975 on the improvement of the situation of railway undertakings and the harmonisation of rules governing financial relations between such undertakings and States.

Article 11 and Annexes unchanged

¹ For full text see OJ No. C 155, 2.7.1977, p. 10

EXPLANATORY STATEMENT

1. The proposal for a regulation laying down uniform costing principles for railway undertakings¹ now under consideration is in implementation of Article 8(2) of the Council Decision of 20 May 1975² by which the Council engaged itself to adopt the necessary measures to achieve comparability between the accounting systems and annual accounts of the railway undertakings and to lay down uniform costing principles before 1 January 1978.

2. As far as accounting systems and annual accounts are concerned the Commission has already presented a proposed regulation³ which has been approved by the Parliament on the basis of a Report prepared by your Rapporteur⁴.

3. There is obviously a close relationship between the two proposals; indeed the proposal now under consideration provides, in Article 7, for the allocation of costs by category of operations to be defined as the costs by type of the Profit and Loss Account of the Accounting Plan set out in Annex III of the proposed regulation on accounting systems and annual accounts. It therefore follows that many of the observations made by your Rapporteur on the previous proposal will apply mutatis mutandis to the present one.

4. As the Commission point out in their explanatory memorandum, the proposal has been drafted in close consultation with the International Union of Railways (UIC) and in particular with the Group of Nine of the UIC. There would therefore seem to be no need to comment in detail on the technical aspects of the proposal or on the two Annexes.

¹ Doc 214/77

² O.J. No. L 152, 12.6.1975

³ Doc. 33/77

⁴ Doc. 144/77

5. The specific aims of the proposal may be summarised as follows:

- (a) to assist the financial situation of railway undertakings by ensuring in the case of international goods traffic that railway companies should, on request, communicate their "particular costs" (see para. 7 below) to each other using a common basis for costing;
- (b) to ensure that continuous monitoring of the financial results of the various categories of railway undertakings operations is possible on the basis of common costing criteria;

Your Rapporteur believes that the proposal will achieve these aims and that, taken in conjunction with the proposed regulation in Accounting systems and annual accounts, it will lead to the implementation of Article 8(2) of the Decision of 20 May 1975. Your Rapporteur has stressed in his previous report (Doc. 144/77) the importance the Committee on Regional Policy, Regional Planning and Transport attach to rail transport playing a full, effective and competitive role within a common Community transport policy. He believes that the present proposal will be of considerable benefit to the railway undertakings.

6. The proposal covers specific goods traffic to which particular costing is applied to full train loads, i.e. to goods traffic of some importance. As the Commission point out the detailed analysis required for this type of costing can only be justified for a significant volume of traffic. It also provides for particular costing to be applied to railway operations as a whole.

7. "Particular costing" is defined, in the case of new goods traffic and of railway operations as a whole, as costing by reference to the variable and fixed or direct and common costs attributable as the case may be to the goods traffic or the railway operation. As far as the termination of an existing goods traffic is concerned, "particular costing" means costing by reference to those costs which would no longer be incurred if such traffic were discontinued (see Article 3(2)).

8. If your Rapporteur has thought it worthwhile repeating the definition of "particular costing", it is because he believes that the Commission is putting forward a rather more sophisticated approach to costing than frequently obtains.

9. Railway costing, when consideration is being given to the extension or termination of traffic as provided for under Section II of the proposal, can be a complex operation. It involves the necessity of taking into account not only a large number of fairly precise factors - rolling stock, route followed, turn-round time and so on - but also less precise but equally important factors such as the impact which improvements or worsening of the speed, regularity and reliability of arrival resulting from extending or terminating traffic may have on users or consumers.

10. Your Rapporteur welcomes the fact that the Commission have put forward a type of costing which will enable the real "economic costs" as opposed to traditional costs, which from an economist's point of view are better termed "expenses", to become more transparent. He also welcomes, in view of the diversity of legitimate methods of calculation which obtain in this field, the liberty given under Article 5(2) whereby "railway undertakings may use the methods of their own choice" for calculating particular costs.

11. Under the provisions of Article 10 of the proposal, an Advisory Committee is to be set up to assist the Commission in studying the application of the principles laid down by the Regulation. This Committee will be able to give its opinion on a question relating to the implementation of the proposal and will also be empowered to study measures designed to improve it. Your Rapporteur accepts the necessity of having an Advisory Committee in so technical a field, and he endorsed the creation of a similar Committee in the proposed regulation on accounting systems. That proposal, however, contained a fourth paragraph to the Article which set up the Advisory Committee to ensure that the Committee's conclusions would be included in the Commission's biennial report to the Council on the improvement of the situation of railway undertakings and the harmonisation of rules governing financial relations between such undertakings and the States.

12. The equivalent Article in the present proposal (Article 10) does not include this provision. Your Rapporteur can see no reason why the conclusions of the Advisory Committee on costing should not equally be included in the Commission's report, and he has accordingly suggested an amendment to this effect.

13. Subject to this point the Commission's proposal is to be welcomed, and the Committee on Regional Policy, Regional Planning and Transport recommend that the European Parliament should express a favourable opinion on the proposal which they hope will be speedily implemented.

