

EUROPEAN FILE

European Community transport policy in the approach to 1992

The completion of a true European Community in the field of transport is one of the priorities in the preparations for 1992.¹

- The transport sector accounts for about 7% of the employment and gross domestic product of the Community. It absorbs about 40% of all public investment. It is therefore a very important sector in itself, besides making an essential contribution to economic and social progress: trade and the movement of persons can grow only if the transport system becomes more and more effective. Completion of the Community's large internal market by 1992 therefore makes it all the more necessary to achieve a common policy in this field.

- In transport, as in other sectors, the cost of non-completion of the internal market — 'non-Europe', as it has been called — is considerable. Road hauliers, for example, are estimated to lose between ECU 400 and 800 million² per year, through pointless delays at the Community's internal frontiers; even bigger losses, difficult to quantify, result from the fragmentation of markets when only firms established within particular Member States are allowed to carry goods and persons inside those countries. In the same way, the prevailing rules for air transport allow neither a system of fares which benefits the consumer nor a satisfactory opening-up of markets. The people of Europe suffer the consequences, in higher fares and a smaller choice of destinations.

Besides, transport has implications for such sectors as energy (it accounts for 28% of total energy consumption), the environment (think of the various forms of pollution caused by hydrocarbons and noise), public health and safety (50 000 dead and 1.6 million injured on the roads every year) and regional development (to which improvement of transport infrastructure can make a particularly valuable contribution). It is also an important factor in the Community's external policy: navigation and civil aviation play a major role in relations with third countries and the Community conducts negotiations with countries such as Switzerland, Austria and Yugoslavia, whose roads and railways carry most of the traffic between the rest of the Community and Italy and Greece.

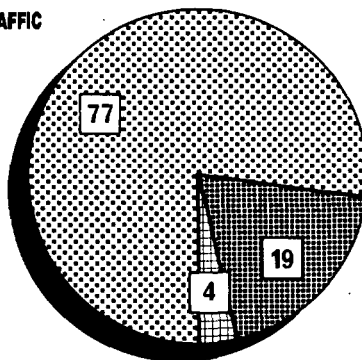
The Treaty of Rome (1957), on which the European Community is founded, devotes a whole chapter to the transport sector — providing in particular for the elimination of national discrimination and the establishment of a series of common rules. In 1961 the Commission issued a memorandum proposing measures to unify the European market on the basis of some major principles: free competition; free choice of means of transport for the user; equal treatment for all forms of transport and all transport companies, public and private;

¹ This file replaces our No 10/85. Manuscript completed in March 1990.

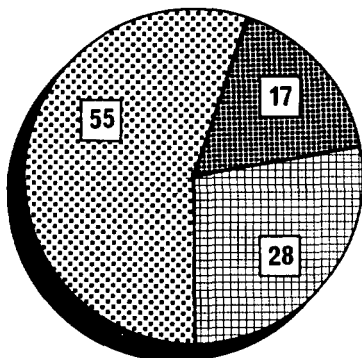
² ECU 1 (European currency unit) = about UKL 0.74 or IRL 0.76 or USD 1.21 (at exchange rates current on 31 May 1990).

**Distribution of surface transport of goods in the European Community
(by mode of transport, as %, 1987¹)**

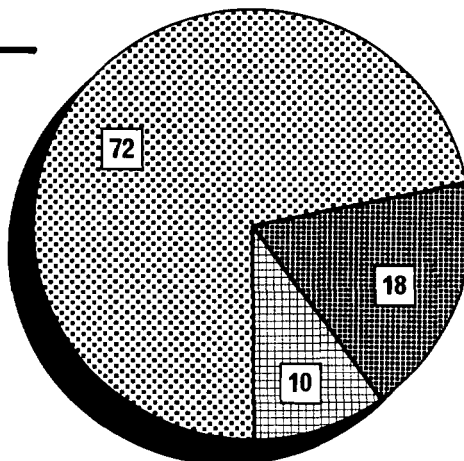
NATIONAL TRAFFIC



**TRAFFIC BETWEEN
MEMBER STATES**



**TOTAL INTRA-COMMUNITY
TRAFFIC**



Road



Rail



Waterway

¹ Based on total tonnage transported and kilometres covered, for internal Community traffic only.

Source: Eurostat.

financial and commercial independence for firms; coordination of infrastructures. In 1973 the Community defined its objectives and extended its concern to sea and air transport.

Over the years particular measures have been adopted by the Council of Ministers in such areas as rights of establishment for transporters, length of driving periods for those in charge of heavy goods vehicles, administrative independence for railway companies and cooperation between them, standards for ships, etc. This did not prevent the Council being censured by the Court of Justice of the Community in 1985, for not fulfilling its duty to bring about free circulation of transport services and abolish all discrimination based on nationality or place of establishment.

In the same year, the European Commission's White Paper on completing the internal market gave new impetus to the process. On the basis of this document the Heads of State or Government of the Twelve solemnly undertook to complete the large market by the end of 1992 — an aim which particularly embraces freedom to provide services in the transport sector. Every qualified transporter from a Community country should therefore be able to offer services in the member country or countries of his choice, without having to establish there.

The text which follows summarizes the present state of work in the various areas of transport policy.

Sea transport

One third of the Community's internal trade and 90% of its external trade is carried by sea, but the tonnage of the Community's fleet was halved between 1980 and 1988. To cope with competition from countries with low pay and with increased protectionism, the Community's efforts are directed especially at maintaining the fleet and the jobs associated with it, and at improving safety at sea. Protectionism would not be a viable response for the Community: its companies derive a considerable part of their revenue from servicing trade between third countries.

- Since 1977 the Community countries have been committed to consulting each other on their shipping relations with third countries. In 1979 they subscribed to an international code of conduct on the allocation of traffic, drawn up in the framework of the United Nations. In addition, the entry into force of a Memorandum of Understanding in 1982 enabled States to check compliance with international safety standards by ships using their ports.
- In 1986, the Council of Ministers adopted four regulations which marked an important stage in the development of a European policy. These texts provided for the gradual implementation, between then and 1992, of the free movement of services — and hence the abolition of national preferences — in traffic between Community countries and with third countries. Applying

European competition rules to sea transport, they authorize certain derogations from the principle that agreements are prohibited, on condition that the market remains open to all companies. They also allow for the imposition of compensatory taxes on companies from third countries indulging in unfair charging (dumping) and for taking countermeasures where a third country prevents European companies from having access to the freight market.

Still problems remain. In 1989, the European Commission submitted a proposal to rectify the economic situation of the European fleet. This measure includes a series of steps to reduce the operating costs of European ships and to increase their competitiveness, while at the same time improving the monitoring of welfare and safety standards. It also provides for the establishment of a Community register and flag, to operate in parallel with those of the Member States. Registered ships would benefit from certain advantages, particularly in the areas of cabotage and transportation of Community food aid. In addition, the Commission intends to extend mutual recognition of diplomas and qualifications to the maritime sector.

Waterways

Transport on inland waterways has been affected by the decline of heavy industry and since the start of the 1980s has seen a persistent imbalance between supply and demand, particularly in the Rhine basin. In 1988 excess capacity amounted to about 20% of overall tonnage in Germany, Belgium, France, Luxembourg and the Netherlands. The lifting of trade restrictions, together with coordinated structural measures, should help to improve this situation.

- In 1989, the Council of Ministers agreed to a proposed regulation on structural rehabilitation for the sector. In essence it involved coordination on a European scale of programmes to scrap excess craft.
- Since 1976 navigability licences issued by Community countries have been recognized by other Member States. Harmonization of technical requirements for inland waterway vessels was achieved in 1982. In June 1987 the Council listed the conditions under which a person might become a waterway transport operator and set out procedures for mutual recognition of diplomas in this sector. Further steps are necessary, however, in order to end all discrimination based on nationality and ensure freedom to supply services.

Road transport

Half of the transport of goods overland within the Community is carried out by road. Completion of the large market is to be accompanied by the elimination of a range of competition distortions and barriers to trade. These have been caused by the disparity of standards and by certain social and fiscal provisions, as well as by the existence of discriminatory national systems of authorizations and quotas. The large market will involve not only their disappearance but also the ending of border controls.

- Maximum sizes and weights for heavy vehicles in international transport were determined by a Directive of 1984, which was revised and supplemented in 1989. Common standards are also in force in regard to such items as brakes, lights, and noise levels for motor vehicles. From 1991 heavy lorries will have to be equipped with special safety systems to protect pedestrians, cyclists and other road users.
- In the field of social legislation, Directives of 1974 and 1977, revised in 1989, regulated access to the profession and provided for freedom of establishment and mutual recognition of road transport operators' diplomas and certificates. Since 1970 a monitoring device (tachograph) installed in lorries and buses records the length of driving periods and obligatory periods of rest — which have been harmonized throughout the Community — as well as speeds. In the interest of safety and of fair competition, the European Commission would like to reinforce social legislation and improve its enforcement.
- Harmonization is also under way in regard to taxation: in January 1989 the Commission proposed to bring basic tax rates more closely into line with each other. In November 1988 it came out in favour of a European solution to the question of charges for the use of infrastructure, in the form of a fee, adjusted according to the different categories of vehicle.
- International transport operations are traditionally subject to national systems of authorization and quota restrictions. In June 1988 the Council of Ministers decided to establish on 1 January 1993 a new system, under which the existing quotas would be abolished. In 1993 every operator who meets quality criteria set by Community Directives will have the right to offer international transport services throughout the Community. Until then, the Community quota for carriage of goods, which already represents a net improvement on the various bilateral quotas negotiated between States, will be substantially increased. The liberalization which is under way must also extend to cabotage, in other words to the carriage of goods within each member country. First steps were taken in this direction in December 1989, with the adoption by the Council of Ministers of measures for the gradual introduction of cabotage.
- Pending the total abolition of the barriers which fragment the European market, several recent measures help to make border crossings easier: spot checks are replacing systematic halts at customs posts and multiple customs forms have been replaced by a single document. In 1987 the Commission also proposed to ease the procedures for international coach and bus passenger services.

Railways

In 1965 more than a third of goods in Europe were transported by rail; today the proportion has fallen to a sixth. The drop is due to structural changes in the economy, as well as to competition from road transport. The railways' finances

have deteriorated — and are complicated by ill-defined public-service requirements and by the lack of transparency in relations between railway companies and the State.

Back in 1961 the European Commission tabled proposals to make the system more transparent and to improve the financial situation of the railways. In 1965 harmonization measures brought the first of these aims closer to reality. Despite another range of measures adopted in 1975, to make for greater administrative independence for railway companies and more cooperation between them, much remains to be done.

The railways still offer undeniable advantages: they take up less space and consume less energy, are very safe, have less effect on the environment. These are qualitative advantages which every day are growing in importance. The railways also have enormous potential in two areas which are to be developed in the drive to create the large market: combined road/rail transport and high-speed trains.

- The Commission and the European Parliament have come out in favour of developing a European high-speed rail network. The European railways community, which includes the rail companies of the Twelve along with those of Switzerland and Austria, put forward a project in 1989 which, in time, would cover the entire Community and enable present journey times to be reduced by half.
- In November 1989 the Commission put forward a global plan to put the railways on a sounder footing and enable them to make use of their advantages in the context of the single market. Several essential measures were proposed: clarification of the division of responsibilities in regard to infrastructure and public-service obligations; improvement of the financial situation of railway companies, giving the companies complete responsibility for their own commercial operations; development of combined transport and high-speed rail; promotion of research in rail-traffic control. The Commission has also proposed measures to achieve a first opening-up of borders by facilitating the activities of railway companies outside their national territory.

Air transport

Traditional rules for traffic sharing do not meet the needs of the Europe of 1992. The Community intends to create the conditions for improving the international competitiveness of European carriers and giving users of air transport the benefit of more numerous connections and lower fares in good safety conditions.

A first Directive, introducing competition in regular services to many regional airports, was adopted in 1983 and revised in 1989. An important breakthrough occurred in 1987, when the Council of Ministers adopted a set of measures providing for:

- Greater flexibility in the sharing of capacity and access to routes. Since October 1989, a range of 60/40% has been substituted for the 50/50 capacity

sharing which was often the rule among airlines. Moreover, any Member State may now designate several airlines to provide its principal bilateral connections; services to regional airports are facilitated and, under certain conditions, the possibility is offered of combining regular services between several cities. Also, within certain limits, passengers may be carried between two countries other than the one in which the airline is established.

- Relaxation of pricing rules. Carriers are no longer obliged to align their fares with those of their competitors. The right of governments to oppose the introduction of new fares — particularly low fares for off-peak periods and for certain categories of passengers — has been limited.
- Application to air traffic of the Community's competition rules, with exemptions being allowed only for agreements indispensable to the coordination of services.

More progress is required if air transport is to be put on a truly European footing. To that end the European Commission in July 1989 proposed a second set of measures to achieve freedom of access to the air-transport market and freedom of pricing. To accompany these changes the Commission began in September 1989 to publish a new set of proposals setting out a coherent civil aviation policy, dealing with essential questions such as safety measures, air-traffic congestion, recognition of diplomas and qualifications, etc. The Commission also deems it essential to adopt a common approach in dealings with countries outside the Community; in January 1990 it tabled proposals to establish Community competence in this area.

Transport infrastructure

For free circulation of persons and goods, lower transport costs and greater economic and social cohesion in the Community, a network of rapid connections is required which is both effective and respectful of the environment and which covers all the member countries and all the regions. Community financing traditionally plays an important role in this regard. In 1988 the European Investment Bank (EIB) loaned ECU 1 600 million for the improvement of transport infrastructure in the Community. A similar amount was given in non-refundable grants for the same purpose by the European Regional Development Fund.

Since the end of the 1970s the European Commission has thought it absolutely necessary to define a network of transport infrastructure which would have a Community interest and to the development of which the Community would make a financial contribution.

- In 1986 the Commission drew up a programme centred on the needs of the large market of 1992. The main objectives were to integrate the various national networks, eliminate a number of bottlenecks, serve peripheral areas,

improve links between the main urban centres and improve conditions for transit through Switzerland, Austria and Yugoslavia. Then in 1988 the Commission drew up a list of concrete projects which could benefit from Community financial support. In 1989 a number of priority projects were chosen from that list, to benefit from interest rebates financed by the Community budget.

- The Council has so far refused to create a new financial instrument and confined itself to laying down the objectives of an infrastructure policy and identifying the principal criteria for establishing that a project is of Community interest. Since 1982 the Council has also adopted year by year various regulations needed in order to make use of the credits included in the Community budget (a total of ECU 420 million for the period 1982-89).

Transport safety

The accident record on Europe's roads is in itself enough to justify making safety one of the priority concerns of transport policy. In recent years there have also been serious accidents in rail, air and sea transport.

- Since 1986, European road safety year, the Community has taken measures in regard to technical checks on commercial vehicles, minimum depth of tyre treads, and technical requirements for new vehicles — such as obligatory reductions in lorry noise levels. The Commission has also tabled proposals for the obligatory wearing of seat belts, maximum blood-alcohol levels for drivers, bringing driving-licence regulations more closely into line, etc.
- Improving rail, sea and air safety is also a Commission priority. Measures have been taken to improve safety at sea and in ports, but the Commission wishes to go further. In the field of aviation, it is proposing arrangements to ease air-traffic congestion and to guarantee a high level of in-flight safety. Its proposals for the railways also take in questions of safety.

The environment and the social dimension

Transport has a direct bearing on the way society is organized. Concerns in regard to the environment, working conditions and mutual recognition of qualifications are of growing importance in the development of the Community's transport policy. Thus, in the environmental field:

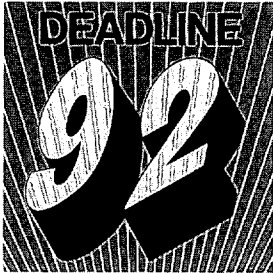
- After several years of discussion — rendered difficult by the magnitude of the interests at stake, both ecological and economic — the Council of Ministers in 1987, 1988 and 1989 adopted anti-pollution standards to limit exhaust emissions from vehicles of more than 1.4 litres engine capacity, diesel cars, and cars below 1.4 litres.
- A series of measures has also been taken to prevent sea pollution and to reduce noise from aircraft — but further efforts are needed in these areas.

In the field of labour legislation, the European Commission intends to generalize the mutual recognition of diplomas and qualifications. It is also re-examining certain subjects such as the length of driving periods and rest periods for drivers of heavy goods vehicles — an area in which compliance checks must be stepped up. In the Commission's opinion, flying periods and rest periods for air crews should also be subject to Community standards.

External relations

Transport, as well as being an essential component of the European internal market, is an area in which much can be done to develop the Community's relations with the rest of the world. The importance of the sector, as well as its international character, make an effort in that direction necessary.

Negotiations are already under way with Switzerland, Austria and Yugoslavia to resolve problems relating to Community traffic through those countries. New negotiations with third countries will soon be necessary in all transport sectors, to take account of the consequences when the Community completes a single market for transport ■



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Commission of the European Communities

Directorate-General for Information, Communication and Culture
Rue de la Loi 200 — B-1049 Brussels

Office in Ireland 39 Molesworth Street, Dublin 2 — Tel. 71 22 44

Office in England 8 Storey's Gate, London SW1P 3AT — Tel. 222 81 22
Office in Wales 4 Cathedral Road, Cardiff CF1 9SG — Tel. 37 16 31
Office in Scotland 9 Alva Street, Edinburgh EH2 4PH — Tel. 225 20 58
Office in Northern Ireland Windsor House, 9/15 Bedford Street,
Belfast BT2 7EG — Tel. 24 07 08

Information services in the USA 2100 M Street, NW, Suite 707,
Washington DC 20037 - USA — Tel. (202) 862-9500
305 East 47th Street, 1 Dag Hammarskjöld Plaza,
New York, NY 10017 - USA — Tel. (212) 371-3804

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