EUROPEAN COMMUNITY FOR COAL AND STEEL

TRANSPORT

IN THE COMMUNITY

HIGH AUTHORITY
INFORMATION DOCUMENTS

No 3

ISSUED BY HIGH AUTHORITY INFORMATION SERVICE

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Luxembourg, 1 September 1955

1199/3/55/e

TRANSPORT IN THE COMMUNITY

Today, in western Europe, a fifth of the price an engineering firm pays for its coal and steel is likely to be for carriage. For coal the proportion may be still higher: a third of what a steel plant pays for the coke for its blast furnaces may be costs of movement and delivery.

Transport is even more important than these proportions would indicate. It is easier to manipulate freight rates discreetly than the prices of the goods carried. Consequently, some of the most effective barriers to competitive trade in Europe have arisen from the chaotic muddle which protectionist, and simply divergent, national policies have created in transport charges. Countries have, by the ingenious use of different freight rates for different consumers, for years been penalising the foreigner and encouraging and shielding the home producer.

Thus, the Lorraine and Saar steel basins have been greatly handicapped in competing with the Ruhr, first, by the freight rates they had to pay on the Ruhr coal they needed for their blast furnaces and, second, by the cost of shipping finished steel products to one of their natural markets in southern Germany. Similarly, France has made conditions more difficult for the Belgian steel industry competing with her own, not only by restricting the export of Lorraine iron ore but also by increasing the charges for carrying it. These are only the more striking examples among many instances.

It is clear that it was in the interest of many powerful groups to maintain the old order in transport. The unravelling of the tangled skein of freight rates is thus, for the Community, a political as well as an economic operation of the first importance.

Before the common market, the economist could point in Europe to at least three major kinds of distortion due to transport. The simplest was the tendency of each country to make the foreigner pay more for the carriage of goods of any kind than the home consumer. This, in the language of the Community's experts, is what is meant by "discrimination".

The most spectacular distortion arose from the fact that, on the average, crossing a frontier automatically raised the price of freight by 20% over the rates already charged within a country. The aim of setting up "international through rates" was to wipe out this handicap.

The most deeply rooted distortions were the result of the growth over many decades of divergent transport policies in each country. These are today so different that it is necessary to "harmonise" them if the market is to be integrated and not held apart in national segments by scarcely visible but potent pricing devices.

The High Authority has, so far, settled the first problem: "discriminations"; in January 1955 the Council of Ministers set a timetable for the application of "international through rates"; and fixed the 1st February 1957 as the date by which a solution for the third problem, that of "harmonisation", must be found. The Community is (in terms of the inequalities ironed out or on the ironing out of which agreement has been reached) rather more than halfway to its goal of ending the obstacles raised by transport to a fully functioning single market.

1. DISCRIMINATIONS ENDED.

The "discriminations" being the easiest cases of unequal treatment to define and uproot, they were dealt with first. Two examples of discrimination: the French railways charged Belgian steelmakers buying iron ore from Lorraine more than their French competitors. The Belgians, on the other hand, made the French exporter pay a higher price than the Belgian for shipping steel on to the world market through Antwerp.

All the thirty-two cases about which complaints have been made have been dealt with. Inequalities affecting 45 million tons of traffic per year have been ended by the High Authority. There is, for instance, no doubt that increased Belgian purchases of iron ore from Lorraine are in part due to an average drop of 8 %, in the relevant freight rates.

This action, however, only touched the fringe of the transport problem.

2. INTERNATIONAL THROUGH RATES

The next and more important stage in remedying present inequalities is to put international traffic on a similar footing with internal national traffic.

As it is, by definition, the "foreigner's" goods which are delivered across frontiers, it is not surprising that international traffic has been the Cinderella of the national transport systems.

One in every eight tons of goods produced in the Community travels to its destination across a frontier. But it is on the average 25 % dearer to deliver it this way than it would be to send it a similar distance inside a single country. Plainly, this is a serious handicap to the single market, a factor in holding nations apart, each within its carefully erected protective system.

A Council of Ministers' decision of 20th January 1955 will result, by 1st May 1957, in the removal of all the extra charges levied on traffic as it crosses frontiers within the common market.

These extra charges were, and are still, based on the fiction that the national frontier is the Ultima Thule of any train's journey. When it reaches a frontier, outward-bound, it has arrived at the terminus as far as the delivering country is concerned. When it arrives from over the frontier, it is, for the consuming country, only just leaving its home base. So the cargo is treated as if it has taken not one but two journeys. As it crosses the frontier it loses the benefit of the falling charge which is accorded on all railways as the run grows longer, and starts from scratch again. It also has to pay the usual but heavy terminal station fees for an imaginary terminal station on either side of the frontier as well as for the real ones at the points of departure and arrival. These practices - called "split tariffs" - can add up to as much as 10/- a ton to the cost of freight every time a frontier is crossed. Ruhr coal shipped to Paris crosses both the Belgian and French frontiers and now pays its "toll" each time.

The Council of Ministers' decision sets a timetable for the ending of the extra charges:

1) On 1st May 1955 "split tariffs" were ended for coal and iron ore, and two-thirds of the excess terminal fees formerly levied on these raw materials were cut.

2) On 1st May 1956 the last third of excess terminal fees on coal and iron ore will go . Steel and scrap will be treated as coal and iron ore a year earlier.

3) On 1st May 1957 the last excess terminal fees on steel and scrap will end.

The results of the introduction of international through rates are known for coal and iron ore. The following table gives an indication of the importance of the changes on some of the major traffic routes.

Goods	Route	Average annual tonnage carried	Former average price per ton	Average price fall	
				1.5.55	1.5.56
			(in dollars. $2.80 = £1)		
Coal	Ruhr-France (esp. Lorraine)	3,000,000	5.50	0.90	0.20
Coal	Ruhr-Luxembourg	3,000,000	7.10	1.20	0.40
Coal	Lorraine/Saar-Germany	4,000,000	7.40	0.60	0.20
Iron Ore	France-Belgium	5,000,000	2.15	0.30	0.20

3. RESULTS OF ENDING DISCRIMINATIONS AND INTRODUCING INTERNATIONAL THROUGH RATES ON FREIGHT RATES ON SOME IMPORTANT ROUTES

German coal is flowing more cheaply westwards, benefiting the steel industries of Luxembourg and Lorraine and increasing the competition in the big delivery area of Paris against coal from the main French coalfield (Nord et Pas-de-Calais). The Belgian steel industry is profiting by another drop in the price of iron ore supplied from Lorraine.

Goods	Route	Rate before Common Market 1.2.53	After end Discriminations	After International Through Rates	
				1.5.55	1.5.56
		(in dollars. $2.80 = £1)			
Coke	Ruhr(Gelsenkirchen) -Lorraine (Homécourt)	6.53	5.58	4.74	4.45
Coal	Saar(Reden)-Germany (Regensburg)	8.92	7.37	6.77	6.55
Iron Ore	Sancy(Lorraine)-Liège (Belgium)	2.38	2.18	1.89	1.70

Part of the results of these changes are, and will be, masked from the consumer because they go towards reducing subsidies borne by the French exchequer. Ruhr coal imported by the Lorraine steel plants and Saar/Lorraine coal exported to southern Germany have both in the past enjoyed large subsidies. These have now been lowered, and will be further lowered on 1st May 1956, with a saving to the French treasury which is not yet precisely known but will certainly run into millions of pounds.

Looking ahead to 1956 it is certain that the ending of the dues at the frontiers will help Lorraine, Saar and Luxembourg steel mills to sell more cheaply to southern Germany. At the same time, the Italians, importing the scrap which is the principal raw material of their steel industry from France and Germany, will pay some 15/- a ton less for transport than they do now.

4."HARMONISATION"

Perhaps the most difficult problem is the one that lies ahead: how to "harmonise" the policies of the national transport companies so that their divergent structures do not hinder the growth of a genuine, single market. Already in 1950 the ECE in its "Economic Bulletin for Europe" (Vol. 2 N° 2) had warned that "the introduction of such a system meets with extraordinarily great difficulties... since the national rail tariff structures vary widely with respect to their general levels, relative charges on different commodities, their regressive nature with regard to distance, special discounts for volume and regularity of traffic, and other features". There is no question of imposing a single, uniform practice on all countries. "Harmonising" implies ironing out distorting influences without levelling the basic transport charges of the member countries. But even this is difficult enough.

The difficulty has another cause. The High Authority enjoyed complete power to end "discriminations". In the case of the "international through rates", the Council of Ministers took the decision but the High Authority itself could have done so, though in more limited form, after April 1955. When it comes to "harmonisation" the High Authority's powers are by no means so clear (1), though the Treaty imposes a moral obligation on the member countries to reach agreement.

However, there is promise for the future in the fact that the Council has already taken an important step towards "harmonisation". It was found that in practice "international through rates" could not be effectively set up unless the fall in freight charges which goes with increasing

(1) With one exception. There exists in the member states a practice of granting low preferential rates as an indirect subsidy to production. The High Authority may end these individually by decree and is currently studying them, one by one.

distance of travel and which varies substantially from country to country was at least partly "harmonised" throughout the Community. Accordingly, the Council decided on January 20th that the rate of fall should be uniform up to 250 kilometres (155 miles) for coal and 200 kilometres (125 miles) for steel and thereafter might vary only within agreed limits. It was also settled that a solution on "harmonisation" in general must be reached by 1 February 1957.

5. BY ROAD AND WATER

Over 70 % of coal and steel traffic in the Community is carried by rail. But barges often take the long-distance traffic and the Rhine is the biggest single route for goods on the common market. Barges account for a little less than 20 % of the traffic. The road is used for the short hauls, with 10 % of common market freight being carried this way.

Water traffic in each country is regulated; between countries it is free. This disparity leads to important price distortions on the market. The Rhine statute complicates the situation further because it allows each state to give its own navigation companies a monopoly on national traffic (e.g. for Holland between Dutch and Dutch ports or for Germany between German and German ports) on the river.

Road traffic is carried out under circumstances still more confused, even though for certain hauls, carriage by truck, particularly of steel, is very common. It is difficult in this sector to obtain comparable statistics. Often freight charges by road are regulated by law with an eye to the protection of the railways, and on across-frontier traffic, quotas may apply to protect the domestic conveyor, and so on.

Though neither water nor road traffic is comparable in importance with rail freights, the High Authority has begun to tackle the problems set by both. It does not, however, possess direct powers to act in these fields and can only propose common action to end inequalities to the governments of the six member countries.

6. EFFECTS OF TRANSPORT ON THE COMMON MARKET

The United Nations Economic Commission for Europe came to the conclusion in 1950 that "apart from the substantial advantages that might be achieved through greater specialisation at the finishing stages of steel production the benefits of a unified market for western European coal and steel industries would be found chiefly in a freer and more active trade in the basic materials, coal, coke and iron ore ... On the basis of present differences, the most significant economies would seem to lie in a replacement of coal production in the higher-cost areas of Belgium and France by more coal from the Ruhr and in greater production and use of French iron ore in place of the high-cost production in western Germany".

Without necessarily leading to this result, "harmonising" the transport policies of the member countries on the common market should increase their economic interdependence - which existed already in part before 1913 - and encourage more rational and more highly specialised production.

It is interesting, for instance, that one of the motives given for the acceleration of the modernisation programme in the southern French mines, is that cheaper deliveries of Belgian and German coal expected as a result of international through rates will make it harder for these mines to sell northwards towards the Paris region. So transport changes which have not yet come about are already playing a part in hastening the progress of the common market.

7. THE COMMON MARKET "MULTIPLIES"

The final comment on the importance of the relation between transport and the Coal and Steel Community is provided by the figures of traffic "harmonised".

The traffic carried on the common market - steel, scrap, iron ore and coal - accounts for 50% of the volume and 40% of the receipts for goods traffic on the railways, waterways and roads of the member states. That means some £ 300 million (about $ 1000 million) a year in receipts for the companies, equal to one fifth of the total value of coal and steel production in the Community.

The fact that so much transport is being adapted to the conditions of a single European market has led some experts to suggest that a European Community for Transport is both a feasible and desirable aim. The Ministers of the member states of the Community, meeting in Messina on 1 - 3 June 1955, have proposed that the integration of transport be included among the objectives for further European unification, the details of which must be studied before 1st October by representatives of Britain and the Community countries, now meeting in expert committees in Brussels under the chairmanship of M. Paul-Henri Spaak, the Belgian Foreign Minister.

The communique issued after the conference stated inter alia that the Ministers had agreed that "the expansion of trade and the movement of persons call for the common development of large-scale communication facilities. With this end in view, a joint study will be undertaken of development projects, centred on the establishment of a European network of canals, motor-highways, electric railway-lines, and the standardisation of equipment, as well as on efforts to achieve a better coordination of air transport."