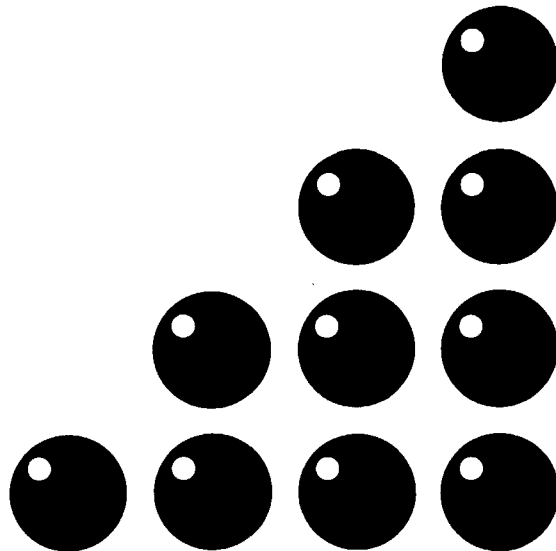


# THE EUROPEAN COMMUNITY'S TRANSPORT POLICY

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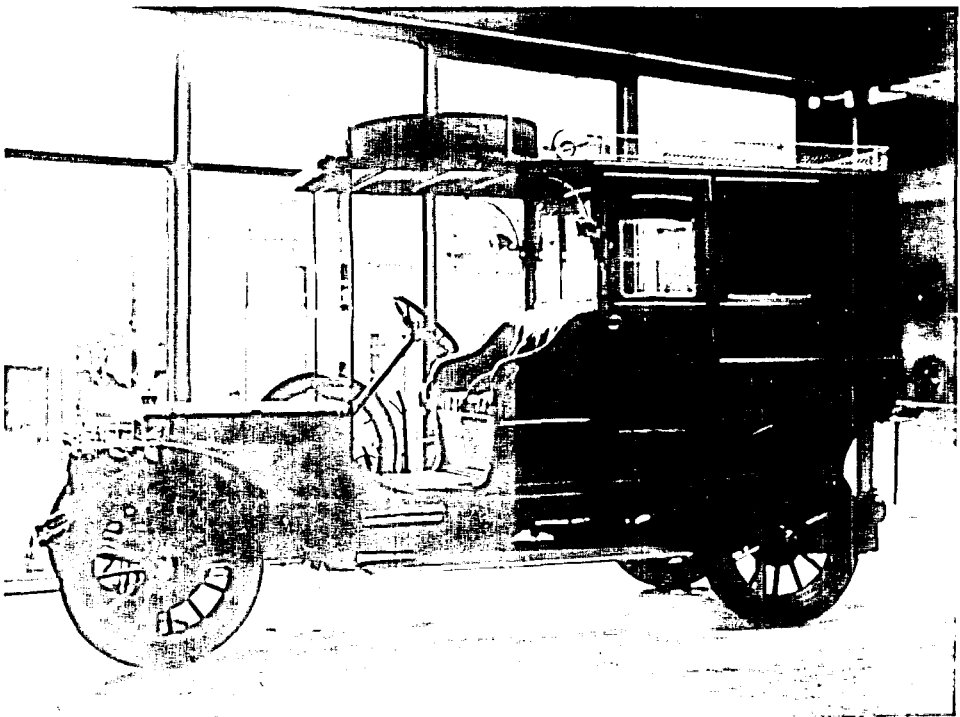
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## I — Why do we need a common transport policy?

A chain is as strong as its weakest link. Consequently, each separate link in the chain is important. In the case of the countries of the European Community this chain is the Common Market which was set up to bring about the harmonious development of economic activities, an increase in stability, closer relations between the States belonging to the Community, and an improvement in the standard of living of all its citizens. These ambitious aims set in the Treaties of Rome call for efforts at all levels. *If an important cog in the complex economic machine breaks down, the entire system will be brought to a standstill. If one part is not functioning properly the performance of the whole machine suffers. In the case of the Community, this could result for example in increased costs to the taxpayer, less social progress or greater economic insecurity.*



*The cars our grandfathers' dreams were made of were all developed in Europe. The photograph shows a 1906 Fonder. Like its predecessor, the stage-coach, its bodywork was made entirely of wood.*

It is therefore essential that the transport system should be organized as efficiently as possible and at the lowest possible cost to the Community. To achieve this, every effort must be made to exploit the economies of scale offered by the Community. However, common rules are needed too. Many of the advantages cannot be tapped because of established national provisions. These obstacles are rarely very striking and therefore can often be defended on the grounds that 'the traffic does flow'. Indeed it does, but if one takes a closer look it becomes apparent just how inefficient the conditions are. They make transport more expensive and in many cases also slow down the integration of the Community. These impediments must be removed and a superimposed common framework is essential if this is to be achieved.

In addition, the Community can also look after the interests of the Member States *vis-à-vis* third countries in cases where a single Member State would not have sufficient weight on its own or the competitive situation does not allow a national approach (e.g. because of the danger of deflection of trade). The Community has developed its own policies in many areas (agriculture, industry, external trade, customs, monetary matters, environment and regional policy, etc.). There are therefore many cross-links with transport which have to be arranged in a rational manner. A common approach in the Community of Ten is needed for this too.

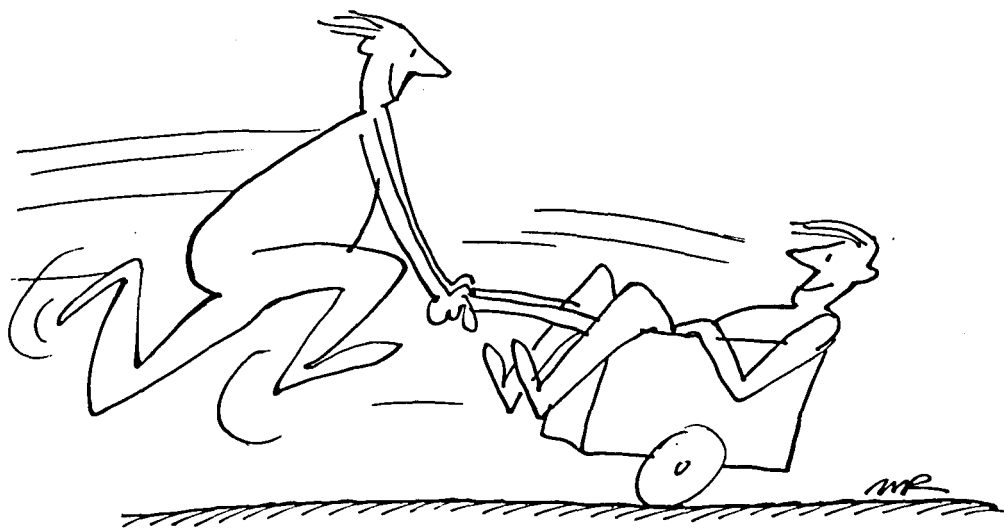


## II — The importance of the transport sector

Virtually everyone in the European Community regularly uses some form of transport, whether it be a plane or ship or just a car, a bus or a train, going to school, to work or to the shops. Passenger transport is therefore constantly in the public eye. However, this is only one side of the coin. Goods-transport operations are carried out in many areas almost without the general public realizing. It is not always easy for the man in the street to appreciate the extremely important role of goods transport as a component in the process of manufacturing or commerce. Nevertheless, transport costs are part of firms' overheads and therefore help determine the prices which consumers in the Community have to pay. Both sides of transport policy therefore concern us all.

The fact that transport's share of the gross domestic product of the Community is greater than that of agriculture (6% compared with 5%) gives some idea of the importance of the transport sector. The number of workers employed in the transport sector is estimated at around 6 million; over a million work for the railways alone.

But the transport industry is also an important customer. Its capital expenditure is estimated to represent 11% of total private investment in the Community. As much as 40% of public investment is pumped into this sector. Major sectors of industry (motor industry, aircraft manufacture, shipyards, road building, steel producers, etc.) therefore also depend on its



smooth functioning. In 1979 the nine Member States spent around 37 500 million ECU<sup>1</sup> on the road, waterway and railway networks alone. That is more than the total tax revenue of a country such as the Netherlands. It corresponds to around 143 ECU *per capita* (for the Community population).

The Community owns about 24% of the world's merchant fleet — over 30% if one includes Community ships sailing under flags of convenience; nearly 40% of the world's container fleet sails under a Community flag. We account for some 10% of world export traffic and over 30% of world imports. In addition, of course, a great deal of intra-Community freight moves by sea, especially that to or from the UK, Denmark, Ireland and Greece. Of these, the UK and Ireland have no land frontiers with the other Member States, while Greece faces the added problem of transit through Yugoslavia and Austria.

However, there is also a black side to the great importance of transport. Every year around 45 000 people die and one and a half million are injured in road accidents in the Member States. Transport also accounts for a very considerable proportion of our total final energy consumption.

---

<sup>1</sup> 1 ECU (June 1983) = BFR/LFR 45.57; DKR 8.17; DM 2.28; DRA 75.27; FF 6.85; LIT 1 352.49; HFL 2.56; UKL 0.56; IRL 0.72.

## DOMESTIC TRAFFIC GOODS TRANSPORT BY MODE OF TRANSPORT

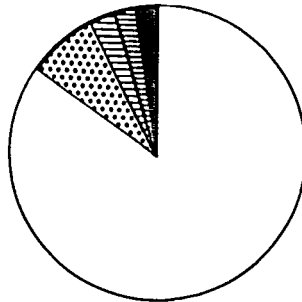
(million tonnes — 1981)

Shipping: 2.3%  
Inland waterway: 2.8%  
Rail: 7.5%

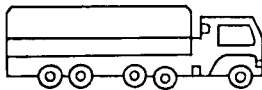
Pipeline: 2.3%  
Air: 0.0%

Road: 85.1%

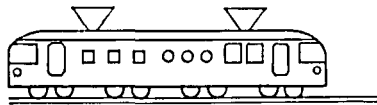
EUR 10



EUR 10 total: 8 326.1



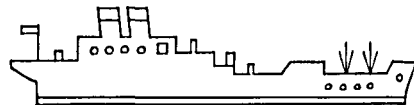
Road 7 084



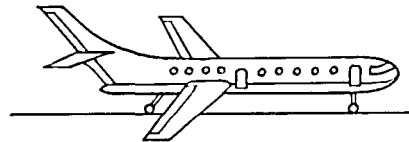
Rail 621



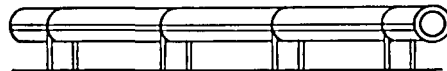
Inland waterway 237



Shipping 195



Air 0.1



Pipeline 189



Source: Eurostat.

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### III — Current problems

Some of the problems arising in the transport sector are of a general nature. As in the economy as a whole, certain limits to growth have been reached, and to exceed them would be intolerable for the inhabitants of the (densely populated) Community. They concern, for example, noise and pollution, safety, regional planning, and space requirements. In addition, the transport sector presents a number of specific difficulties of a political, economic and technical nature.

One of the most urgent problems is undoubtedly the question of putting the railways back on their feet. In some countries, the poor financial situation of the railways is such a strain on the national budget that it is the main determinant of national transport policy. The further development of the common transport policy therefore depends to a large extent on finding a solution to this problem. The governments themselves are partly responsible for the plight of the railways. For example, on social grounds, many governments impose service facilities which put a burden on the railways even after financial compensation. In many cases they keep the railways on a tight political leash, or provide them with only meagre capital resources. This in turn slows down their modernization and impairs the quality of the service offered, thereby reducing the railways' prospects.

Road transport, on the other hand, is confronted with the congestion of the road network. In large towns and cities and conurbations the capacity limit is being reached virtually everywhere in peak traffic. And there are many other bottlenecks, e.g. on Alpine crossings. On the other hand, it is becoming increasingly difficult to finance new infrastructure projects. In addition, the exceptional growth in international transport necessitates closer coordination with the other Member States. This also applies to customs clearance at the border. It is often still time-consuming and expensive for hauliers. International road freight haulage is impeded by national administrative measures. The vast majority of these transport operations require bilateral official authorizations.

But usually only a limited number are available. If, as has already happened, there is a shortage of these licences, free movement of goods is hampered. The system of bilateral authorizations also has a further drawback. Transport operations to, from or between third countries, are rarely allowed. This impedes the efficient organization of transport.

The problems of the inland waterways are completely different in character. The inland shipping fleet is too large and too old; activity is too slack. Moreover, waterway operations are largely dependent on the fluctuating water levels of the rivers. As a result rates have tended to crumble, and many firms have gone out of business.

Airlines operating scheduled services are almost all State corporations. It is difficult for private competitors to obtain the required licences. Price competition in intra-Community air transport is severely restricted. Tariffs are geared primarily to the business travel market. Cheap fares for private travellers still are inadequate.

Community shipping companies are hampered by the increasingly restrictive practices adopted by the governments of a number of non-member countries in international shipping matters. It is only natural that more and more countries are coming to realize the value of building up their own shipping lines as a means of handling their own trade, reducing their transport costs and avoiding excessive expenditure of foreign currency. However, in order to gain a larger share of international seaborne trade, they frequently resort to practices that distort the conditions of competition and thus jeopardize the freedom to provide maritime transport services which has been maintained to date. Flag discrimination, cargo-reservation policies, subsidies of various kinds and dumping are all examples of such practices.

The growing fleets of the State-trade countries systematically apply flag discrimination policies by insisting that their vessels be used to transport all goods purchased in or sold to the West.

As well as this, the economic situation has changed markedly over the past decade. The decline in the oil trade, the much reduced demand for coal and iron ore as the Community's steel industry has contracted, and the general economic recession have led to a sharp reduction in the demand for maritime transport at a time when a large amount of new tonnage ordered during the boom years before is leaving the shipyards.

Finally, one question which affects all modes of transport is how to overcome the increase in the cost of energy and the energy shortage. On the one hand, energy-saving measures are called for, and on the other hand the possibility of replacing mineral oil by other forms of energy must be considered.

## IV — Aims of the common transport policy

The founding fathers of the European Economic Community were undoubtedly aware of the very great importance of transport in relation to the integration of the Member States. Integration necessarily entails a greater degree of division of labour between the countries, an increase in trade, and greater mobility of the population. All of this involves transport. Transport policy was therefore, quite rightly, given a chapter of its own in the Treaties establishing the Community. With the exception of that covering agriculture, it is the only chapter in the Treaty devoted to a specific branch of the economy.

Even today, the Treaty of Rome is the essential starting-point for the common transport policy. It should contribute to the attainment of the general objectives set in the Treaty and enforce the rules laid down specifically for transport, including the provisions of the ECSC Treaty. The guiding principle therefore should be the gradual introduction of consistent arrangements in line with social and economic requirements and which promote sound development of the transport industry itself. The transport market must be organized in accordance with the familiar principles of the market economy. This, however, does not preclude public intervention for reasons of overriding importance.

The Community must endeavour to ensure that all restrictions to the freedom to provide services are removed. At the same time, efforts should be made to harmonize the overall framework in which the various modes of transport and the transport firms operate. In this connection, we should not lose sight of the objective of optimizing transport with a view to increasing the competitiveness of the Community and improving the service provided to the public.

### *First steps towards implementation*

Shortly after the European Economic Community had got going, the Commission of the European Communities prepared a plan for the organization of the common transport market. The first initiatives date back to 1955. In the European Coal and Steel Community (ECSC) the governments agreed on a set of international through tariffs for the carriage of ECSC goods by rail. However, these efforts on the part of the ECSC covered only part of the transport sector. The memorandum presented by the Commission in 1961 laid down the first comprehensive and consistent guidelines for organizing the transport sector. This was supplemented in 1962 by an action programme subsequently followed by further specific proposals.

In its plan, the Commission kept closely to the basic principles of the Treaties of Rome. Its main aim was to promote the unification of the transport markets. Its proposals were based

on the following principles: free competition, free choice of means of transport by users, equality of treatment for modes of transport and for carriers, financial and commercial independence for the firms, and coordination of transport infrastructure. In order to attain these objectives, common rules were to be laid down covering both border crossings and freedom of establishment and operation throughout the Community. Specifically, the Commission listed the following objectives: approximation of conditions of competition; introduction of a uniform charging system for all inland modes of transport; removal of internal restrictions on international road haulage and coordination of infrastructure plans.

On the basis of this plan, on 13 May 1965 the Council of Ministers laid the first milestone in transport policy by adopting the Decision on the harmonization of certain provisions affecting competition in transport by rail, road and inland waterway. The main purpose of this Council Decision — which is still in force today — was to remove the differences between Member States in three areas: taxation, State intervention and social provisions. The Council regarded the following steps as appropriate in this context:

- (a) As regards taxation: elimination of double taxation of motor vehicles; harmonization of the basis for calculating motor vehicle taxes; approximation of taxation rules relating to own account operations and operations for hire or reward; harmonization of the provisions concerning the duty-free import of fuel in the tanks of motor vehicles.
- (b) As regards State intervention: reductions in public service obligations; introduction of financial compensation for residual burdens and for tariff reductions on social grounds; attainment of the financial independence of the railways and normalization of their accounts (i.e. compensation for 'abnormal' costs); abolition of subsidy arrangements relating to transport.
- (c) As regards social provisions: approximation of the provisions of Member States concerning working conditions (excluding wages); approximation of manning provisions in transport by rail, inland waterway and road.

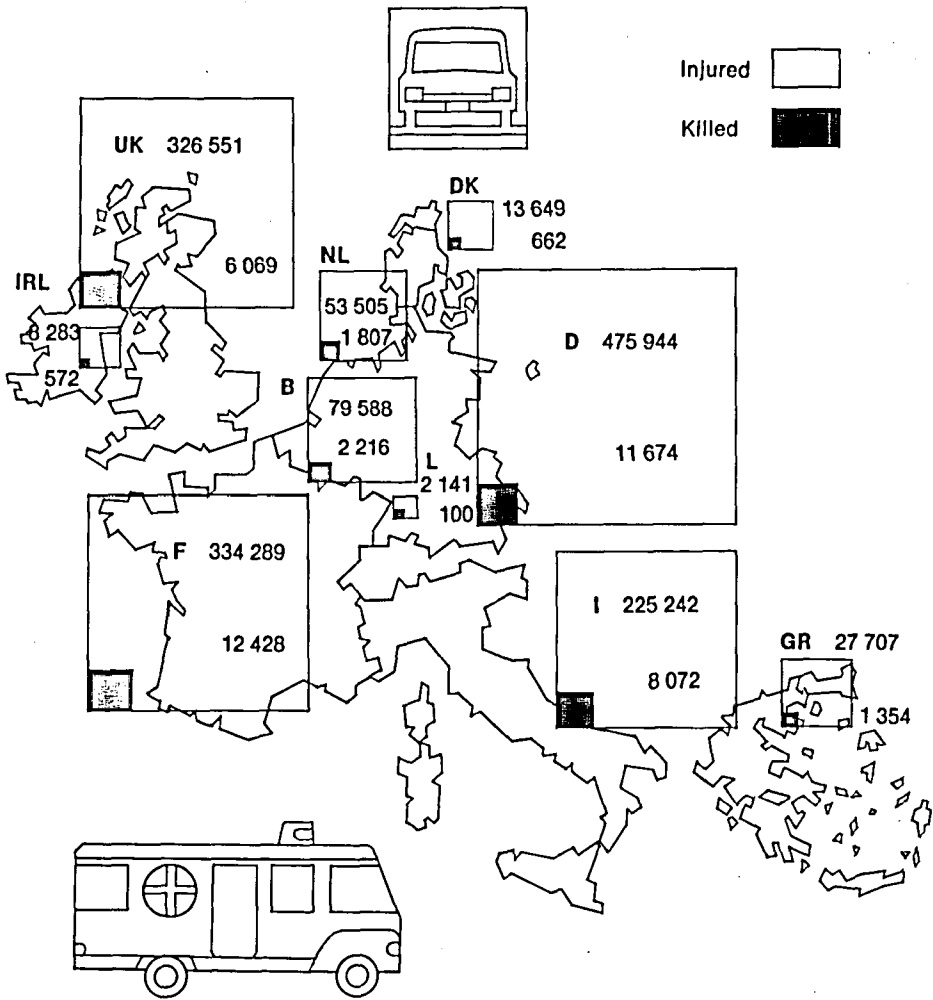
In the wake of this basic Decision, the Council introduced a number of specific measures which to a large extent are still of fundamental importance as far as the common transport policy is concerned, e.g. rules concerning consultation on transport infrastructure (1966); introduction of Community transport authorizations and uniform road freight tariffs (1968); first steps towards the approximation of social legislation in road transport (1969); abolition of, or financial compensation for, public service obligations; normalization of the accounts of the railways (1969); and limitation of State aids (1970). Many other measures which the Council wanted to adopt under its 1965 Decision have, however, not been implemented.

### *New initiatives*

The accession of the United Kingdom, Denmark and Ireland marked the beginning of a new era for the Community. The Commission took this event as an opportunity to take a fresh look at the transport policy since the enlargement of the European Community to include island States made it urgent to examine the question of bringing sea transport within the common strategy. Changes had occurred in the meantime anyway. Environmental protection, regional planning and the quality of life had assumed greater importance.



### ROAD TRAFFIC ACCIDENTS (EUR 10 — 1981)



EUR 10: total 1981 — Injured 1 545 000  
Killed 46 800

Source: Eurostat

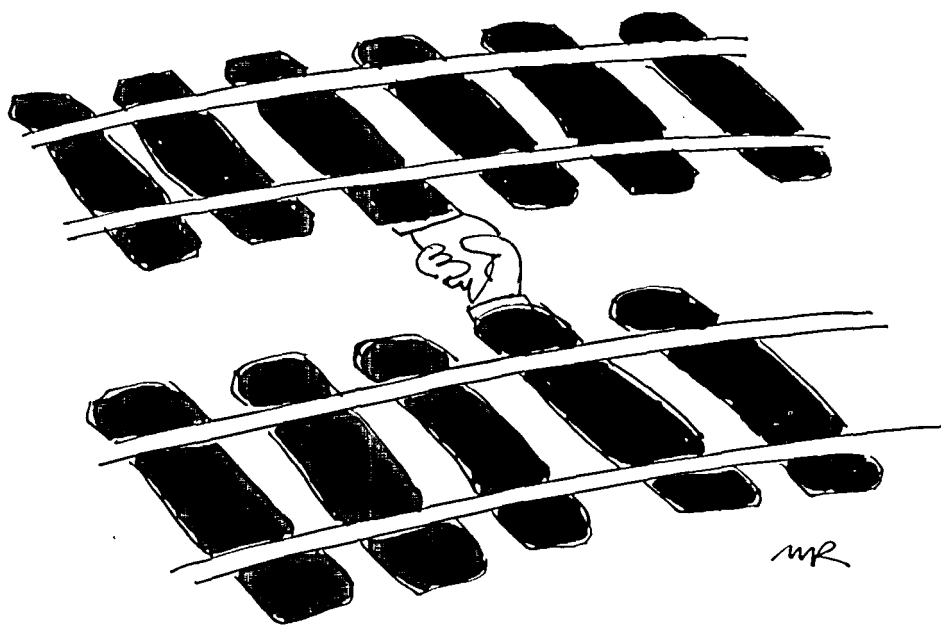
The priorities for the Community — including transport policy — were redefined at the summit conference of heads of government held in Paris in October 1972. Negotiations on the objectives set in 1965 were bogged down — fresh impetus was needed.

In October 1973 the Commission therefore presented a communication on the further development of the common transport policy updating its 1971 plan and developing for the first time the concept of a common transport system. The new plans were based on the same principles as before, i.e. free competition on the transport market and approximation of starting conditions. But the Commission's new strategy had an additional component to which less importance had been attached before: transport infrastructure. Decision-making in this area is usually the preserve of the public authorities who thus set the basic lines towards developing a transport policy; hence their inclusion in the common regulatory programme.

The Commission's new plans were much influenced by the objectives set at the Paris Summit. Even more than hitherto transport policy is regarded as a factor in social progress, in conjunction with social policy, transport policy must contribute towards the general quality of life and to an improvement in working conditions in the transport sector. In addition, transport policy can and must make a contribution towards the attainment of the Community's plans for environmental, and regional, policy. The same applies to energy policy. Coordination is also needed with regard to taxation and industrial policy and relations with third countries. Furthermore, the October 1973 communication also tackled, for the first time, and in specific terms sea transport, seaports and air transport. The communication also contained an operating programme listing the practical measures which the Commission thinks should be introduced in the short term. Mention was made of the earlier proposals which had not yet been adopted. In addition, new initiatives were proposed, e.g. for improving the situation of the railways as a priority. The Commission took the view that steps should be taken to attain the objective set in the Council's basic Decision in 1965 of approximating national provisions governing relations between the railways and the State. The Commission also considered that closer cooperation between the railways should be encouraged. The Commission proposed a package of measures towards organizing freight transport markets for railways, inland waterways and road transport. These proposals aimed at ensuring the gradual implementation of the principles of the market economy. Governments would have the right to intervene during a transitional period. At the same time, a market monitoring system was to be introduced.

As regards infrastructure, the Commission proposed replacing the existing *ad hoc* consultations on individual projects by regular systematic discussion of infrastructure projects, and financial support for transport infrastructure projects of importance to the Community as a whole. The system for charging for the use of the various transport infrastructure should be completed. The Commission took a first step with the approximation of national taxation systems for commercial vehicles. As for harmonizing social legislation, proposals were made concerning additional measures and improvements in working conditions in road transport and inland shipping. Further proposals were also made on, for example, transport safety, over-capacity in inland shipping and freedom of establishment.

The Commission's transport policy programme was discussed in detail in the following two years by the European Parliament and the Economic and Social Committee and was substantially approved. The Council of Ministers, however, did not wish to commit itself to such a comprehensive and fundamental programme. A few important isolated decisions were adop-



ted and the Commission was asked to define the priority problems for another work programme covering the following three years.

The Commission did this at the end of 1977 by presenting a list of priorities including the most important proposals from its earlier strategy. Once again the Commission proposed action to build the planned common infrastructure network and to regulate transport markets. In so doing, it kept to its existing objectives, e.g. improving the economic situation of the railways, and approximating terms of competition.

The Council took note of the Commission proposals and agreed to use the proposed list of priorities as a guide in its decisions as far as possible.

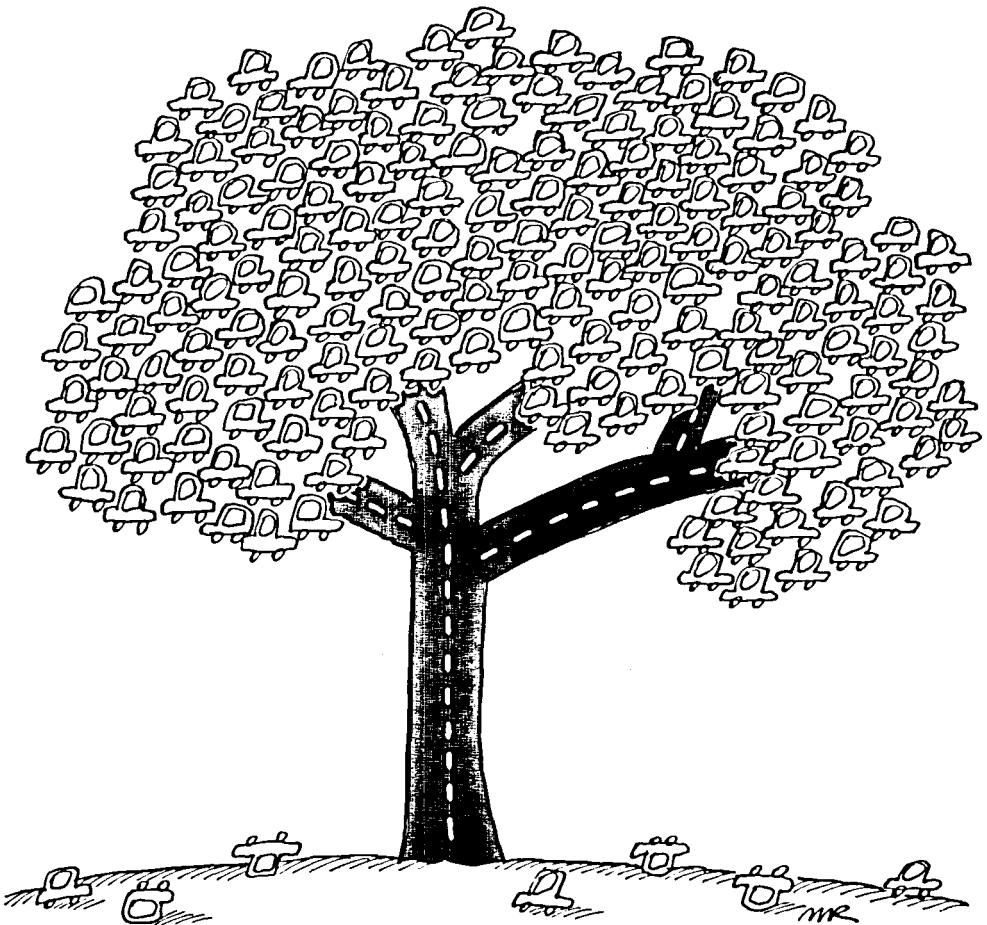
The programme of priorities for the transport sector, which the Commission submitted to the European Parliament in October 1980 at Parliament's request, received a warmer welcome than its predecessors. Finally, in March 1981 the Council adopted the Commission draft as a Decision laying down the new principal points for the 1981-83 programme. But it again refused to commit itself to adopting decisions on the Commission's priorities for those three years.

Despite this setback, the fundamental gain is that the Community institutions have reached a consensus on the broad lines of future action, particularly now that Parliament too has agreed in principle.

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## V — What have we achieved so far?

Looking back on the fragmented ill-coordinated national policies of the pre-EEC days the authorities responsible for the common transport policy have made considerable progress with their task in the last twenty years or so. The Community has adopted some 170 pieces of



transport legislation, many of which are major advances towards harmonizing the transport market. However, it has not managed to keep to the time-table laid down in the Treaty for creating a common transport policy and a common market in transport, both of which should have been completed by the end of the transition period at the latest.

The underlying reason for this slow pace is that each Member State's transport strategy reflects the unique economic, geographical and political conditions and history of the country concerned. Every time new countries join the Community these fundamental differences are accentuated.

### *Transport infrastructure*

One of the sectors where progress must be made is in coordinating transport infrastructure. The road network is often congested. The flood of new cars has exceeded all expectations and outpaced all infrastructure projects. The simplest solution would be to build new roads. However, two problems stand in the way. First, space is becoming increasingly restricted, and pressure on the environment increasingly severe. As a result there is growing resistance in some countries to extending road infrastructure. The big expansion plans of earlier years are now looked at more critically than ever. The second reason why expansion of the road network often fails to materialize is the increase in costs, combined with tighter national budgets. The Community can make a contribution to solving both problems by rational planning, and financing of roads.

However, there is another important reason why transport infrastructure is of significance for transport policy. By deciding to build roads or not, the State is taking an option which decisively determines the development of the individual modes of transport and the relationship between them (complementarity of transport infrastructures). Cars, obviously, need roads or they cannot be driven.

But infrastructure plans also have an indirect effect on other sectors. They affect energy consumption, road safety, environmental pollution and regional development. They are also an important factor in the growth of the regional economy, especially in peripheral areas, and in the integration of the Community as a whole.

This was recognized at a very early stage. The Council of Ministers decided to introduce a consultation procedure for infrastructure investment as far back as February 1966. However, information was exchanged on a case-by-case basis and only for individual projects of common interest. This did not adequately meet the Commission's transport strategy of 1973 which assigned a far greater role to infrastructure. First, regular discussion of the overall road-building programmes was considered necessary, and a common indicative plan was to be drawn up with national projects discussed at Community level before being carried out. Common financial support for projects of Community interest was also proposed.

In 1978 the Council of Ministers, acting on proposals from the Commission, adopted a new procedure for consultation on transport infrastructure programmes and decided to set up a special committee on the subject. This provided the possibility of coordinating national plan-

ning more effectively, in both time and place, and eliminating bottlenecks more easily. At the same time, it could lead, later on, to planning a network of major Community routes.

In 1979 the Commission published a memorandum outlining an action programme on transport infrastructure. Although it acknowledged the considerable progress made with the road-building programme over the previous twenty years or so, it called for a wider plan allowing all modes of transport to play their full role. The Commission also drew attention to the significance of a Community infrastructure policy for other Community policies, including energy policy, environment policy and regional development policy.

It also repeated its proposal to set up a special instrument for financing transport infrastructure.

Since then a great deal of work has been done on the proposal in a very short time. The Council has spent several meetings discussing the proposal for a Regulation on support for transport infrastructure projects of Community interest. In November 1978 it asked the Commission for more information on the shortcomings in the existing transport infrastructure, of the Community's existing schemes for financing infrastructure projects and of ways and means of evaluating 'Community interest'.

In reply the Commission produced two reports — one on bottlenecks and possible courses of action, the other on means of assessing the amount of Community aid.

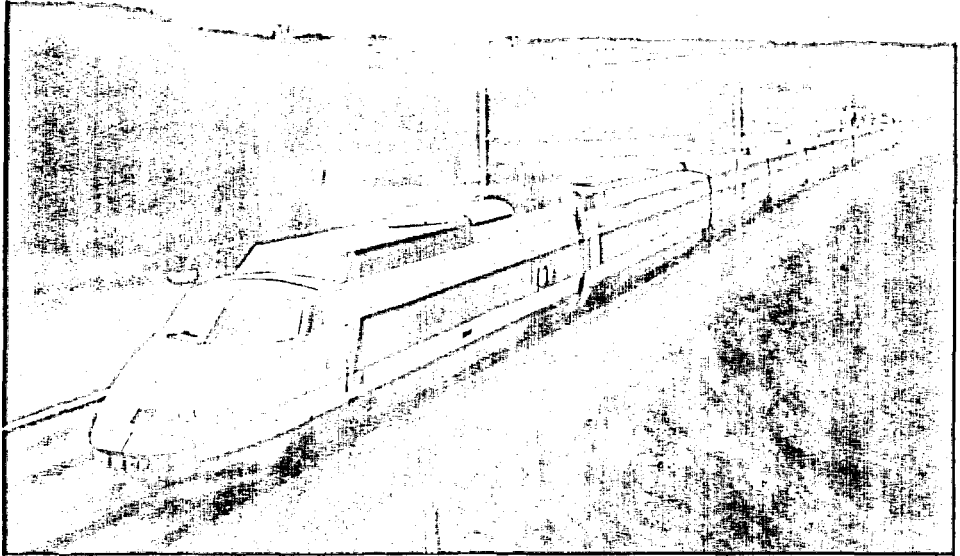
But will this work one day culminate in a fully-fledged instrument for financing infrastructure?

There are several hopeful signs: in December 1982 the Council adopted a Decision on limited action on transport infrastructure providing a legal basis for it to spend the limited funds entered in the budget for this purpose after pressure from Parliament. This Decision points the way ahead. Now the Commission will be able to sponsor projects at critical points in the Community transport network — for instance, marshalling yards on the trans-Alpine lines or improvements to the roads linking the central and peripheral regions of the Community.

This experiment must now be extended one step at a time until it covers a far wider range of rigorously-selected projects.

## *Railways*

In most European countries the railways are indispensable. The Council of Ministers acknowledged the railway's basic importance for the general public and the economy in one of its decisions. However, with their extensive organization and extraordinary appetite for subsidies, the railways are also one of the Council's main problem areas. Both these factors suggest that the common transport policy hinges on finding a solution to the problems of the railways. The principles laid down by the Commission for the organization of the common mar-



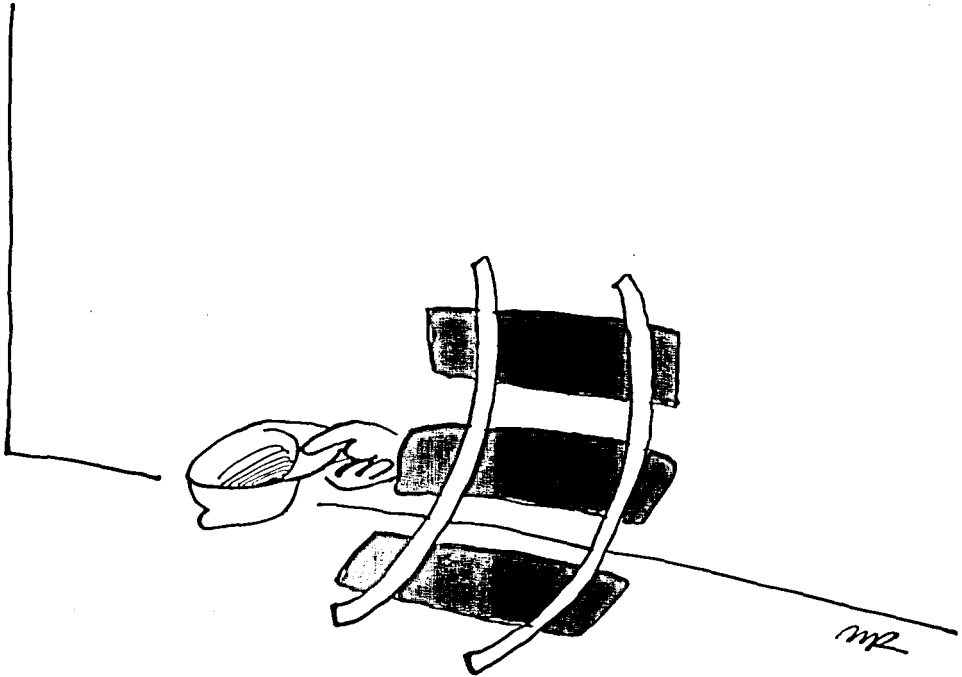
*TGV, the fastest train in the world capable of a top speed of 270 kilometres an hour*  
(Photograph: SNCF, CAV)

ket in transport and the attainment of other objectives also apply of course to rail traffic. At the same time, the railways have a special position in many sectors of transport policy. The railways, usually State owned, have problems of a different kind from those of other modes of transport.

The railways, once a main mode of transport and the pride of the State, have been brushed aside by the triumphant advance of road transport. Their share of the total transport market has declined. The railway's large, and hence relatively unwieldy, organizations were unable to keep up satisfactorily with the change in the transport market, or cope with new developments. The railway's financial situation deteriorated. But the State, too, bears its share of the responsibility. Many governments have considered — and still consider — the railways as a sort of State-run, basic social institution. The railways are therefore asked to perform services of a general economic or social nature which, their private competitors do not normally have to carry out. For example, the railways have to maintain unprofitable services and routes for reasons of regional policy. They are often used as a counter-inflationary instrument of economic policy (through low rates which do not cover costs), thus restricting their leeway in commercial terms.

The railways also have to bear extraordinary burdens because they have to finance their own track and installations, their employees (sometimes) have civil-service status (which leads to





pension commitments!) and the State provides inadequate capital resources. The funds they receive often are determined by an uncertain budgetary situation in public sectors, and not by their actual, specific requirements. In the course of time these adverse factors have usually led to a constant, rapid rise in both railway deficits and total State expenditure on rail transport. The Member States paid some 19 600 million ECU to the railways in 1982. The difference between the railways' commercial revenue and expenditure represents about 72 ECU a year per inhabitant in the Community.

The railways' financial straits have inevitably affected their running: modernization has lagged; and this in turn has been reflected in the quality of service. To raise the standard of service their organization would have to be improved, which does not always require investment. However, if rising energy costs lead to greater use of the railways, additional money will be needed to increase their capacity.

Even in its first transport policy plan of 1961, the Commission expressly advocated improving the financial position of the railways. In its Decision of May 1965 on the harmonization of certain provisions affecting competition, the Council of Ministers too gave the go-ahead and decided to free the railways from the conditions imposed by the public authorities (e.g. carriage at 'social rates'). Financial compensation was to be paid for any such obligations retained. At the same time, the way was paved for the normalization of railway accounts. This means that the State is to grant compensation for any expenditure arising from historical developments now considered 'abnormal' (e.g. pension commitments, level crossings, etc.). Later the Council also agreed on a clearer procedure for transferring other State aids. Regulation of

financial relations with the State and approximation of regulations governing working conditions still have to be settled. However, the rules adopted have given a clearer picture of the scale of State aids and thus made it easier to assess the actual financial situation — or losses — of the railways.

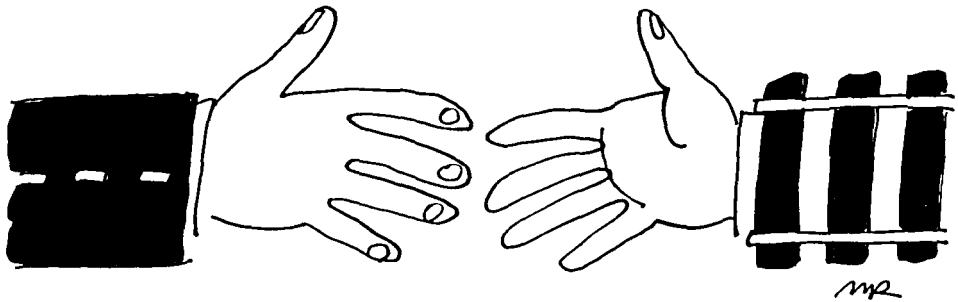
When the Community was enlarged, the Commission once again pointed out that the problem of the railways was by no means solved and demanded measures to improve the situation. The Council of Ministers responded in 1975 (i.e. ten years after the first major step) by adopting the Decision on the improvement of the situation of railway undertakings and the harmonization of their financial relations with the State. This Decision was intended *not only* to ensure that the railways received a fair return from the public authorities for the services they performed (as the first Decision did) but also to give them the opportunity to improve their financial situation themselves, e.g. by giving them greater responsibility.

The Council considered that the railways needed greater independence, for instance in their commercial and financial management. The railways should be run on commercial principles. Economically unjustifiable political intervention should cease. The powers of the State and the company must also be accurately defined. The railways should also be allowed to set their own tariffs. If the authorities stipulate other rates, they will have to pay compensation. Secondly, under the Council Decision, the railways have to submit operating plans inclusive of an investment and finance strategy in order to reduce their deficit more effectively. The States also have to draw up financial programmes. Thirdly, public aid should be more readily recognizable. Service obligations imposed on the railways, payments by the State and other financial rules (concerning write-offs, the covering of losses, distribution of profits, etc.) must be precisely defined. Fourthly, cooperation between the railways should be encouraged in order to exploit the advantages of the recent enlargement of the common market.

To implement the specific steps laid down in the basic Decision of 1975, the Council then adopted measures on comparability between the accounting systems and annual accounts of all railway undertakings, and rules laying down uniform costing principles. The Commission, for its part, submitted the reports provided for in the Decision on the economic and financial situation of the railways, together with long-term objectives and the measures towards railway cooperation and integration.

In July 1982 the Council followed up its 1975 Decision by deciding to give the railways the free hand which they needed in their commercial management if they were to cooperate more closely in fixing their rates and conditions of carriage for international rail freight services. Then on 7 June 1983 the Council adopted a similar Decision on the commercial independence of the railways in the management of their international passenger and luggage traffic. These moves made the railways more independent and added to their responsibility for all their international goods and passenger services. They can therefore be expected to encourage the railways to cooperate more closely in a bid to achieve the best possible financial returns.

Another focal point of the common transport policy is to encourage combined road/rail transport. As early as 1975 the Council took its first measures to liberalize the feeder and delivery services at the start and end of each combined transport operation. Since then a comprehensive package of measures has been passed to support this new method of transport, to simplify formalities at frontier crossing points, to exempt such services from road tax or at



least to reduce the rate and to lift some of the administrative restrictions. Beyond this the Commission has also put fresh proposals to the Council with a view to sustaining the rapid growth of combined transport services, including proposals on the rate-fixing arrangements. Further afield, the Community's talks to extend the liberalization arrangements to certain non-Community countries have reached an advanced stage. In addition, in-depth studies are now in progress with a view to mapping out a Community rail network complete with the intermodal transfer facilities required for combined transport services.

Finally, the Commission produced a memorandum reminding the Council of a number of outstanding problems. This is to be supplemented with specific proposals, all designed to put the railways on a firmer footing. It is hoped that this will pave the way for common rules in other areas of the common transport policy.

### *Organization of the internal transport market*

Although the problems of the railways figure prominently in transport policy, this does not mean that the Community is not active in the other sectors. Rail is only one part of the transport market, which the Council of Ministers and the Commission are attempting to organize in its entirety. Common principles must therefore be found for the market factors influencing the competing modes of transport — road, rail and inland waterway. But the circumstances described in the previous chapter have given the railways a special position in various sectors. Because of their worldwide range, sea and air transport also are an exception. Only some of the principles of a common market can be applied to them. Special rules also exist for commercial passenger services. Most of the measures for organizing the inland transport market therefore apply to road freight and inland shipping.

They extend, for instance, from the right to take up the activities in question, to freedom of establishment, transport capacity, rates, State intervention and market monitoring. The market must operate as freely and as healthily as possible. This is by no means the case at present. There are still a large number of obstacles and restrictions to be eliminated.

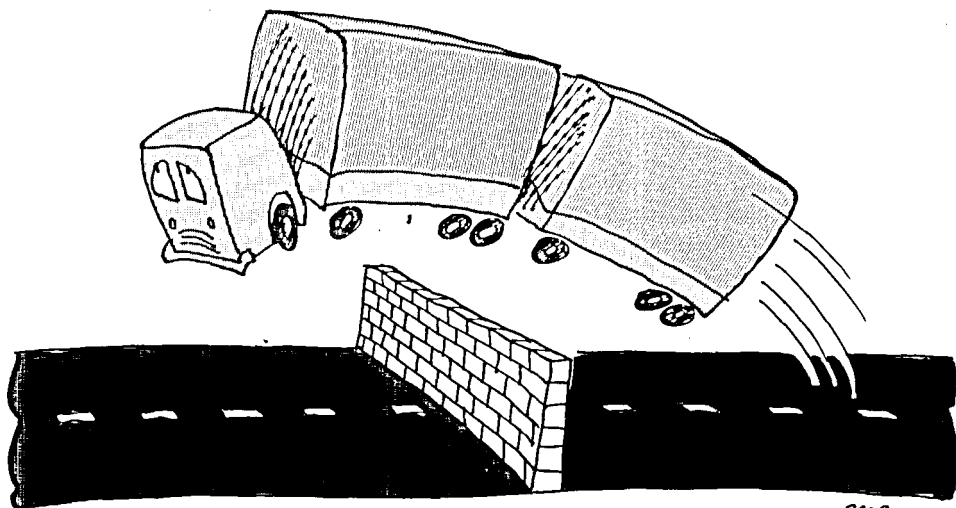


*Freedom of transport services is one of the cornerstones of the common market.*

### Special measures for road freight

Beyond doubt the freedom of establishment and to provide services is most severely restricted in the road freight sector. Most cross-frontier journeys require a bilateral authorization which has to be agreed between the States concerned. Several Member States have frustrated the liberalization of commercial road transport, for fear that it might erode the competitive position of their railways. A relatively early start was made on surmounting existing obstacles but so far no decisive breakthrough has been achieved. Only a fraction of road freight transport between Member States — probably no more than 5% in all — so far benefits from the Community quota system.

As far back as 1962 the Council of Ministers took the first step towards improving access to the road transport market. The Directive on the establishment of common rules for international transport for hire or reward facilitates transport operations by exempting various types of special carriage from the transport authorization system or at least from the restriction on the number of authorizations. This arrangement has since been extended a number of times. It chiefly affects frontier traffic between Member States and carriage on own account. Another decisive step was the introduction of Community authorizations for the carriage of goods by road between all Member States. The number of authorizations was very low at first. Since then the quota has been regularly enlarged but is still modest, indeed well below demand.



Amendment of the original Regulation means that the Community authorizations — previously valid for the whole year — could be split into shorter periods and thus used more flexibly. Also of major importance is the Council Decision on bilateral negotiations between Member States on the adjustment of the transport capacity authorized in the cross-frontier carriage of goods. Such negotiations may no longer be conducted quite arbitrarily, as was previously the case. The States must obey the guidelines laid down. The above-mentioned rules on combined road-rail transport have also led to a limited degree of liberalization.

### Special measures for inland shipping

The main priority on the inland shipping market is to get a grip on transport capacity and to solve the existing structural problems. Most of the firms operating in this sector are small, family businesses. Over 85% of all inland waterways operators in Belgium, France, the Netherlands and the Federal Republic of Germany in 1980 owned only one vessel. Only 3% had more than six. Of these craft roughly 45%, or 35% of the total tonnage, had been built before 1940. Modernization is therefore the main problem in certain sectors of the fleet.

In recent years there has been a steady decline in demand for transport services from two industries on which the inland waterways depend heavily — the steel industry with its coal and ore cargoes and the building industry with its sand and gravel. Despite the breaking-up programmes in the Member States the fleet is still too large. Another factor which seriously affects transport capacity is the seasonal fluctuation in cargo volume and in river levels, particularly on the Rhine. Vessels cannot carry their full load if the water level drops. On the other hand inland waterway operators have to keep spare capacity in reserve if they are to honour their commitments — at the risk of finding themselves with a larger fleet than they need when business reverts to 'normal'.

Together, these structural problems and this overcapacity have depressed freight rates, above all for cross-frontier traffic on the Rhine where there are no arrangements to control either

rates or conditions of carriage. Poor returns have forced many firms to close down. Between 1965 and 1980 the number of inland waterway firms in the Community dropped by around 40%, leaving less than 13 000 survivors. The number of vessels halved over the same period with carrying capacity cut by 20% to 12.9 million tonnes. Hardly surprisingly the plight of small inland shipping firms has been arousing increasing social unrest in some countries.

The Council has yet to act on the Commission's proposals for restoring the inland shipping market to health. In the meantime on 9 February 1983 the Commission recommended a package of short-term measures for the Community. It said that the national scrapping schemes introduced in certain Member States in response to the Commission's 1968 recommendation should continue but that some of the conditions and criteria should be harmonized to make the schemes more efficient and to speed up the shake-out. Introduction of minimum qualifications or standards of professional competence for candidates hoping to join the profession would also make operators behave more sensibly on the market and improve the quality of service. At the same time there are plans for mutual recognition by the Member States of diplomas and other certificates entitling the holders to engage in the occupation of carrier.

An additional protocol to the Convention for the Navigation of the Rhine — the Mannheim Convention — was adopted back in 1979. It reserves the right to navigate the Rhine without further formality for States which have signed the Convention and for the other Community countries. Preparations are now being made to implement the additional protocol, particularly in those Community countries which have not signed the Convention, and to decide the conditions for allowing vessels from other countries to operate on the Rhine.

## Other arrangements

Long ago the European Court of Justice ruled that the Treaties of Rome guaranteed freedom of establishment throughout the Community. This, however, is often impeded in practice by national regulations. The Council has therefore decided upon the mutual recognition of diplomas, certificates and other evidence of professional competence for hauliers and passenger transport operators, and measures to encourage these operators effectively to exercise their freedom of establishment. A similar regulation for inland shipping has been drafted.

The conditions for taking up activities as a haulier are directly linked with the freedom of establishment and the recognition of diplomas. But the diplomas will not be comparable unless the individual countries lay down identical requirements. The Council of Ministers has therefore adopted directives on admission to the profession of haulier and passenger transport operator and laying down uniform requirements in terms of professional competence, integrity and financial capacity of the prospective operator. The problem of access to the market does not arise in the case of the railways which are usually State-owned undertakings. International carriage by inland waterway is less impeded by national restrictions, but most other international transport markets enjoy greater protection.

The first common rules for international bus and coach traffic were drawn up in 1966 and have since been supplemented by special provisions concerning shuttle services and scheduled services. The Community has also concluded an agreement — the ASOR Agreement — with nine non-Community countries laying down uniform rules for occasional international passenger services by coach and bus.

Under Commission policy, the public authorities should intervene in the transport markets only if there is any threat to their smooth operation. However, mandatory measures on other grounds cannot be ruled out for passenger transport, e.g. to encourage use of public transport. In addition, action may be taken in serious emergencies, when there is a lasting and severe imbalance between supply and demand or in the case of serious anti-economic behaviour. To restrict State intervention on the transport market, the Council of Ministers has adopted the Regulations mentioned previously which remove public service obligations and restrict aid to the railways, inland shipping and road transport.

The Commission has also devised a market monitoring system to avoid disturbance of the market, though the proposal has yet to receive the ministers' approval. Nonetheless in 1978 the Council took note of the Commission's plans to conduct a trial run with a system of this type and gave it the requisite funds. At the end of the three-year trial (in 1981) the Council agreed to extend the experiment for a further three years. It will then take a decision on the final shape of this system which is designed to supply hauliers and the public authorities alike with information on which to base their decisions, and in particular their investment decisions, and should thus make it easier to match supply and demand.

Rates are another important market factor. The Commission's ultimate objective is the free formation of rates in accordance with the principles of free competition. As early as 1968, the Council of Ministers decided to introduce bracket tariffs (with the rate freely negotiated within fixed maximum and minimum limits) for the carriage of goods by road for hire or reward between Member States. This Regulation was later replaced by an arrangement which allowed both bracket tariffs and reference rates (where the tariff has only the force of a recommendation). Common tariffs for the international carriage of coal and steel products by rail have existed since 1955. The Commission has also made proposals on the introduction of reference tariffs for inland waterway traffic and on rate formation for other rail goods services.

### *Starting off on the same competitive footing*

If there is to be competition in the transport sector according to market economy principles, the individual elements of the market must really operate, and there must be no distortion of the basis of competition. In other words, there must be the same starting conditions for all. Since these do not yet exist, they have to be created. And this has to be done by harmonizing national legislation — an extremely difficult undertaking, in view of the major differences between the Member States, and one which cannot be achieved overnight. At the same time, the fact that this process has not yet been completed must not serve as a pretext for not taking steps towards liberalization of the market.

The first — fundamental — Council Decision of May 1965 strongly urges harmonization or coordination of those laws and regulations which might distort competition. It is not only a matter of relations between the modes of transport but also of relations between the individual undertakings operating the same mode. At that time the Council took the view that measures were necessary chiefly in the fields of tax law, State intervention and working conditions. But technical, administrative and organizational harmonization also is involved.

The 1965 Decision provides that the specific regulations on working conditions in the individual transport modes be progressively harmonized. It refers specifically to the manning, work and rest periods, overtime, and limitations on working hours. At the same time, it makes it clear that the term 'working conditions' does not cover wages or other remuneration. On the basis of these guidelines the Commission put forward proposals for harmonizing working conditions in the road transport sector, which the Council put into force at an early date. They include, for example, uniform standards for driving and rest periods, as well as breaks, and lay down when a driver's mate must be provided. This is important, not only from the viewpoint of social progress and equal starting conditions, but also because it contributes to road safety. These social regulations have since been redrafted to bring them into line with the practical experience gained in the meantime. To guarantee compliance with the rules on working hours the Council also decided that specific types of commercial vehicles must be equipped with tachographs, by means of which driving and idle time can be accurately checked.

With the assistance of government experts and of the relevant professional organizations, the Commission has now embarked on a review of this social legislation with a view to producing more flexible, simpler rules which can be applied more effectively.

The Commission took a further step along the path marked out by the fundamental Council Decision with its proposal harmonizing crew conditions and manning regulations on the inland waterways.

However, talks on the proposal have been temporarily broken off to allow time for the Commission and the Central Commission for the Navigation of the Rhine to agree a common position under the auspices of a tripartite conference.

A number of harmonization measures are also planned for the inland waterways, civil aviation services and railways.

Community action applies to training as well as to working conditions. For example, the Council has adopted a Directive on a minimum level of training for drivers of certain types of vehicle, thus making a further contribution to road safety.

In the field of tax law the transport sector has in the meantime been included in the common value-added tax system, though uniform bases for specific taxation have not yet been achieved. The Commission and the Council are basically in agreement that all transport modes must bear the actual costs of infrastructure utilization. Where specific taxes are levied on commercial vehicles or fuels, their pattern and level should reflect the need to pay for the infrastructure. The difficulty of calculating infrastructure utilization costs, which — depending on the definition — may include the cost of traffic police, of environmental protection measures or of pollution, and the great importance of those costs for the competitive position of each mode (road taxes can substantially decrease or increase prime costs) make the solution of this problem an extremely important, but also long-drawn-out and politically explosive matter, where fundamental choices must be made.

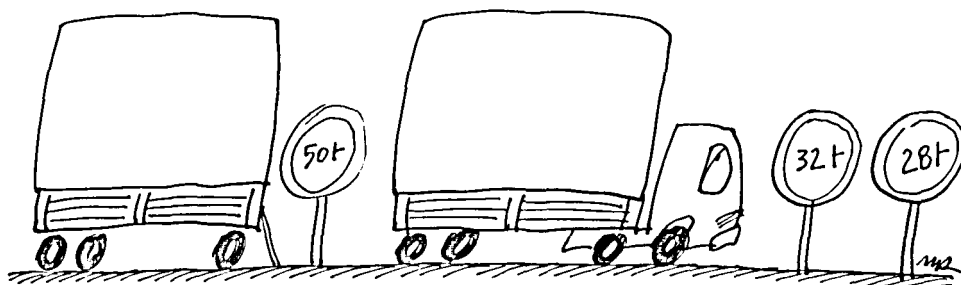
At an early stage the Council instructs the Commission to investigate the infrastructure costs of the railways, inland waterway traffic and road transport. And a uniform method of keep-



ing accounts of these costs was subsequently decided on. However, agreement has not so far been reached on the real aim of introducing common standards in respect of compensation for the utilization of infrastructures. Consultations are still in progress on the system proposed by the Commission.

However, harmonization of national vehicle tax systems could be the first step towards such a system of charging for the use of infrastructure. What is needed here is a harmonization of the bases of calculation in this sector. And the Commission has made proposals on this matter too. A Council Directive also contributes to harmonization of tax laws — though to a far more limited extent. This Directive lays down the tax-free maximum of fuel which the tanks of commercial vehicles may contain when crossing a frontier.

In the technical field a large number of regulations have been adopted which harmonize important vehicle standards — for example, brake systems. However, they do not come directly within the scope of transport policy, but are regarded mainly as a contribution towards the removal of barriers to trade. On the other hand, it has not yet proved possible to apply the Commission's proposal for harmonization of the maximum permissible dimensions and weights of commercial vehicles, which vary from Member State to Member State. While gross vehicle weight may be 50 tonnes in the Netherlands, for example, the permissible maxi-



mum in Britain is only 32 tonnes. The problem is not confined to the Community. Switzerland, which is important for transit traffic with Italy, allows a maximum vehicle weight of only 28 tonnes on its Alpine roads. These major differences not only hinder transboundary traffic, they also make life difficult for vehicle manufacturers. However, progress has been made towards harmonizing national regulations on the technical inspection of motorized vehicles and trailers, for the Council has issued joint rules on this matter, which represent a further contribution to increased road safety.

Common measures have been taken in the inland waterway sector as well. The Council passed regulations for mutual recognition of national navigability licences and subsequently adopted additional rules on uniform minimum requirements and technical inspections for inland waterway vessels. These proposals are intended not only to harmonize conditions of competition but also to improve the quality of the fleet.

A number of measures have been agreed to harmonize State aids. The aim was either to abolish such intervention or to introduce a financial compensation system based on uniform principles. There has been little abolition of such aids, but the common measures which have been taken have brought about a mutual *rapprochement* and greater transparency of interventions.

In the field of administrative measures two Commission proposals are of particular significance, since they affect practically all citizens of the Community: standardization of summer time is one. A considerable degree of harmonization between the Member States has already been achieved. The European driving licence is the other and could become a symbol for the Community. The first step aimed at is mutual recognition of driving licences. The Commission's proposal provides that a driving licence acquired in one Community country would be valid in other Community countries even in the event of lengthy or permanent residence there. Of course, many of the other Community measures cited — for example, mutual recognition of professional qualifications, uniform price formation, freedom of establishment and the like — have a direct or indirect harmonizing effect.

### *Maritime transport*

In the last few years Community transport policy has developed fastest in a sector where no one expected it: sea transport. There are several reasons for this. The expansion of the Community gave added importance to the maritime transport sector, for between 85% and 90% of the Community's foreign trade is now carried by sea. In 1974 the European Court of Justice ruled that sea transport is not exempt from the provisions of the Treaty of Rome. The pressure of competition from certain State-trading countries increased. The developing countries pressed for a worldwide arrangement to control liner traffic. Pollution by tankers increased.

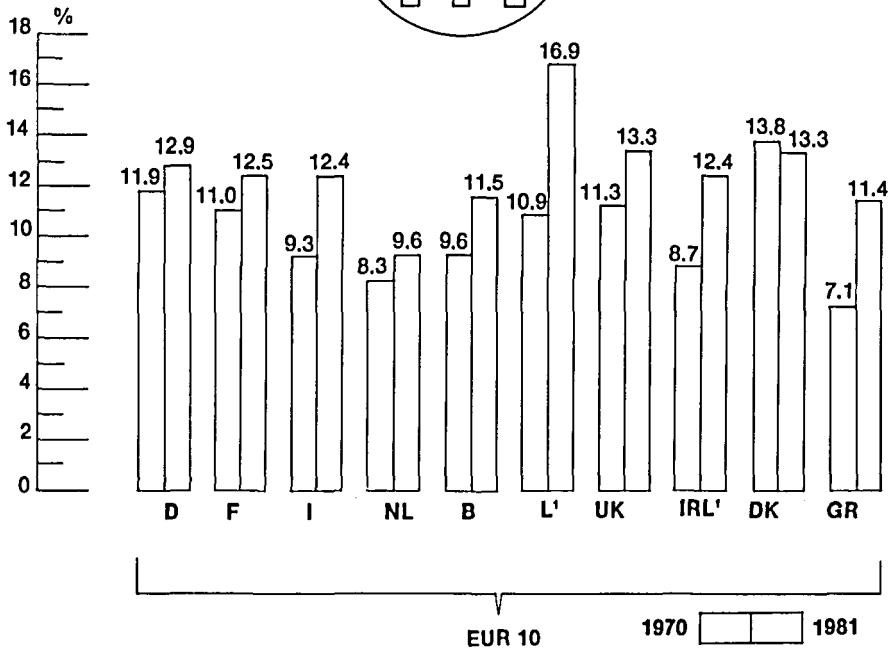
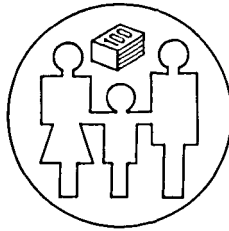
For a long time maritime shipping seemed to be excluded from Community action, for the specific provisions of the EEC Treaty are not automatically applicable to it. Indeed, Article 84 states that the Council may, acting unanimously, decide whether, to what extent and by what procedure appropriate provisions may be laid down for sea and air transport.

However, once the Court of Justice had issued its judgment, maritime transport could no longer be ignored. The general rules had to be applied.

In general, the Commission's proposals in the maritime sector have been motivated either by the need to find solutions to problems where the Community can make a distinctive contribution over and above what Member States can do on their own, or by the need to apply the relevant provisions of the Treaty of Rome to shipping. In so doing, the Commission has tried to avoid a narrow legislative approach in order to preserve, as far as possible, a market based on open and free competition. This work is in full harmony with the aims of the OECD and as such has had more support from the Council than the efforts in other sectors.

In 1977 the Council adopted a Decision setting up a consultation procedure on relations between Member States and third countries in shipping matters and on action relating to such matters in international organizations. This Decision was expected to mark the beginning of real progress with Community maritime policy, but these hopes have been dashed.

**SHARE OF TRANSPORT IN THE FAMILY BUDGET**  
(in current prices)



¹ % | 1980.

Source: Eurostat national statistics

In May 1979 the Council adopted a Regulation in response to the Unctad Code of Conduct for Liner Conferences which was signed in Geneva in 1974. It is known as the 'Brussels Package'. The essential purpose of the Regulation is to ensure that only the developing countries' shipping lines come under the part of the Code referring to cargo sharing in liner conference trades between the Community and other OECD countries.

Under the Regulation, Member States are required to submit their national legislation on ratification to the Commission for approval. So far Belgium, Denmark, Germany, the Netherlands and the UK have done so.

The Council also committed the Member States to introducing an amendment to the Code to allow the Community to become a contracting party with the same jurisdiction as the Member States in this sector. In addition, the Council asked the Commission to make proposals on outsider competition and on bilateral governmental agreements.

In June 1982 the Council took note of the situation and made a statement on the details and timing of the ratification procedure by the Member States.

In effect the Member States agreed to coordinate among themselves and with the Commission the dates on which they were to ratify the Code. The Code came into force in October 1983, when it had gained the approval of countries whose combined total exceeded the requisite 25% of world tonnage. In addition, the Commission, as requested, also put forward proposals for a decision on non-conference shipping lines (referring to Resolution II annexed to the Code).

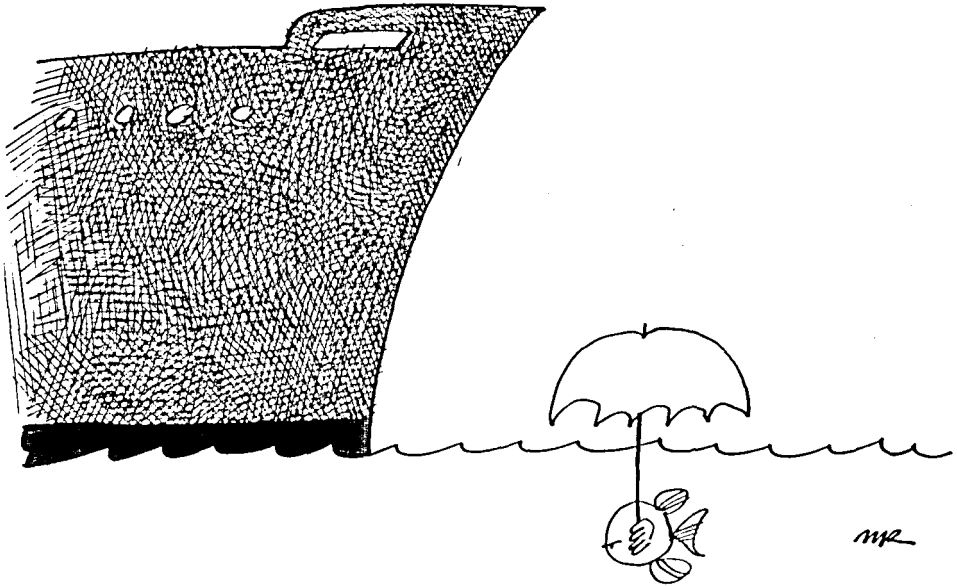
The fleets of the State-trading countries dominate maritime transport services between the Community and the Eastern bloc countries which generally insist on using their own vessels to transport their goods to and from the West. The Eastern bloc lines are also making considerable inroads into trade between the Community and the rest of the world, offering extremely low freight rates. Indeed, the USSR alone probably has three or four times the tonnage needed to satisfy its own domestic demand. In order to establish such facts as what cargoes the Eastern bloc countries' fleets were carrying and, as far as possible, where they were loaded, an information collection system was set up by Council Decision in September 1978.

The first monitoring exercise covered the East African and Central American trades, but in March 1981 was extended to cover the Far East as well.

The conclusions of a report on the Trans-Siberian Railway, prepared for the Commission in late 1981, gave no cause for alarm that the Railway might become a rival to the Community's shipping lines. However, since then the situation in the Far East trade has changed so drastically that further studies seem warranted.

The Community must decide from the facts whether any countermeasures are possible or necessary to protect the interests of its merchant fleets.

The crowded seaways of Western Europe have been the scene of many accidents, some of which (like that of the Amoco Cadiz in 1978) have involved oil pollution on a gigantic scale. Of all the shipping policy issues discussed at Community level, maritime safety and the prevention of pollution have brought the greatest degree of agreement on the action to be taken.



The Community adopted its first environmental programme in 1973, followed, in 1977, by a communication to the Council concerning pollution by hydrocarbons.

This growing call for commitment to action culminated in the Copenhagen summit in 1978 establishing pollution prevention and maritime safety as priority areas for Community action. In 1978 the Commission submitted an outline plan for action in this sector to the Council, declaring that the Community should lend its weight to the action taken by the international organizations rather than draw up new regulations. This support was to take the form of a common approach by the Member States to the relevant international conventions. However, the Commission also recommended certain specific action by the Community.

As a result, from 1978 onwards the Council adopted a series of measures involving international organizations, pilotage, oil tankers and fishing vessels.

In June 1980 the Commission proposed a Directive on Port State Control and discussions began in the Council's group of experts. However, this work was overtaken by events when the French government convened a regional conference of ministers from thirteen European countries — the nine maritime Member States plus Norway, Sweden, Spain and Portugal — in Paris in December 1980, at which a Working Group was set up. In January 1982, the maritime authorities approved the Group's work, the result being the Memorandum of Understanding on Port State Control, much of which was based on the Commission's original proposal. This came into effect on 1 July 1982 and has produced impressive results so far.

The second category of action taken by the Community in this sector has been to apply the relevant provisions of the Treaty of Rome.

One example from the Commission's latest initiatives is the proposal for a Council Regulation laying down detailed rules for the application of Articles 85 and 86 of the Treaty (the rules on competition) to maritime shipping. This is a classic example of the application of the Treaty to the shipping sector. The proposed Regulation exempts shipping conferences from the rules on cartels, but also curbs agreements which are blatantly discriminatory, for example, those which impose severe loyalty conditions.

In keeping with the Community's liberal approach, discrimination on the basis of the country of origin or of destination is prohibited. Shippers will, under this Regulation, have free access to the rates and conditions of carriage, although carriers are under no obligation to file freight rates nor to register conference agreements with the Commission. The Regulation lays down no specific requirements for entry into conferences, nor does it attempt to open up closed conferences, as the Commission believes that such a move would lead to the survival of only the financially strongest and thus would further weaken competition.

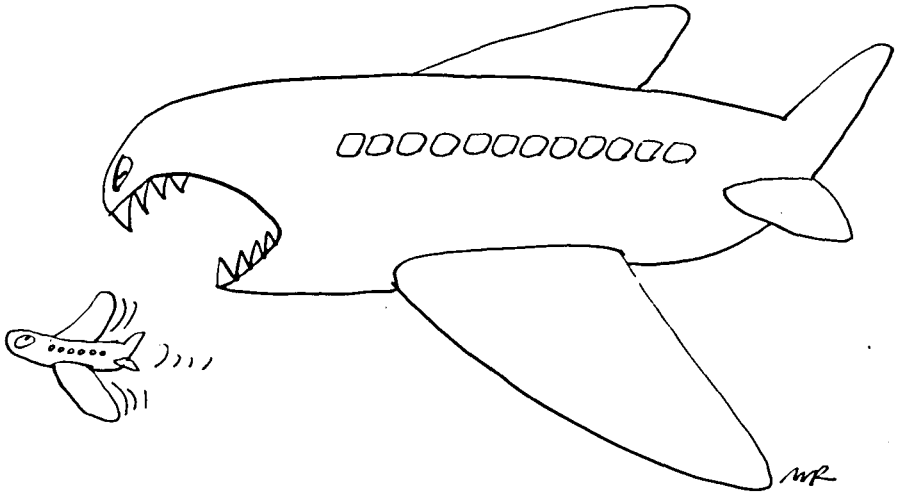
Little progress has been made with the social legislation covering working conditions in the maritime sector, etc., to date. At an early stage the seafarer's unions expressed a wish to set up a joint consultative committee with fixed terms of reference. However, the shipowners preferred *ad hoc* meetings between both sides of the industry, arranged and chaired by the Commission. Under this arrangement regular meetings are held to discuss the full range of issues raised by shipping policies. As well as this, the two sides have collaborated in supporting detailed research studies into the terms and conditions of employment for the Community's seafarers.

## *Civil aviation*

The civil aviation market is a worldwide one. Most European airlines are State-owned and virtually hold a monopoly in their own country. At the same time, national authorities decide on the licensing of new airlines and negotiate operating rights with other countries. This means that civil aviation is substantially influenced by government decisions. Furthermore, under Article 84 of the Treaty of Rome it is up to the Council to decide whether the rules on transport apply to air — or for that matter — sea services. For all these reasons civil aviation initially played no part at all in the common transport policy.

However, the European Court of Justice's judgment of 1974 stressed that civil aviation is not exempt from the rights and obligations of the Community and that the general rules of the Treaty of Rome must be applied to this sector as well. In the light of this judgment the Member States came round to the idea that there was little point in applying these rules without developing coherent ideas on how this was to be done.

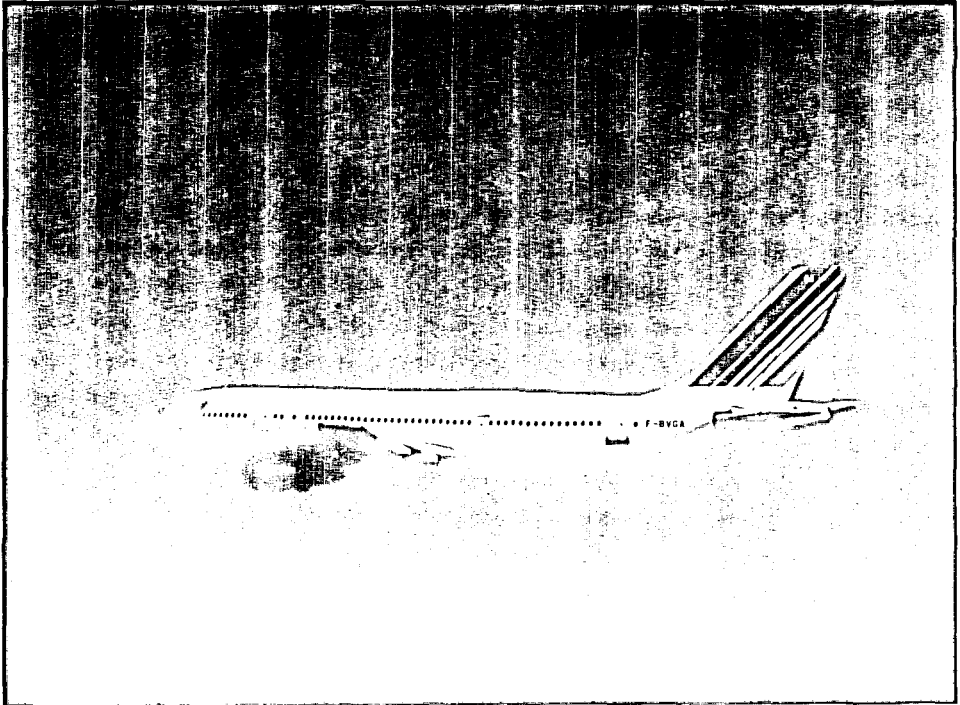
In the light of this changed situation in 1977 the Council commissioned a working party to examine the problems of civil aviation. In 1978 the Council approved an action programme containing nine priority topics: reduction of aircraft noise, simplification of formalities (particularly for air freight), application of uniform technical standards, regulation of competition legislation and State aids, mutual recognition of crew licences, improvement of working conditions, freedom of establishment, improvement of interregional air services and mutual



assistance in the event of accidents. At the same time the Council endorsed closer relations with the international civil aviation organizations.

The Commission went into the matter in greater depth with an extensive report on the contribution which the Community might make to the development of air transport. This report points out a number of shortcomings in the existing set-up, noting that international air transport is regulated almost totally by bilateral agreements — a fact which impedes the opening of new routes and encourages concentration on the links between the major airports, as well as upholding certain national restrictions. The report also found that alternatives in respect of fares and in-flight services were too limited and that reactions to the needs of private travellers were too inflexible.

Although charter flights have become a firmly established feature of air travel within Europe — leading to price competition between charter airlines on the one hand, and between charter and scheduled airlines, on the other — they have not brought about price competition between scheduled airlines, as they have on the North-Atlantic route. Competition between the airlines has left fares untouched and concentrated on other areas, particularly service, an approach which does little to reduce costs or make reductions possible. Although a few steps towards fare reductions have been taken in the meantime, the airlines still concentrate mainly on business, travellers, who are prepared to accept relatively high fares, since this is not necessarily the most important consideration for them. However, such a policy does not help those sections of the public for which the price is important. On the other hand, the fact should not be overlooked that some airlines are in financial difficulties, and that most of them are operating at a loss as it is. That is why it must be made possible at the same time for the airlines to increase their performance, and reduce their costs.

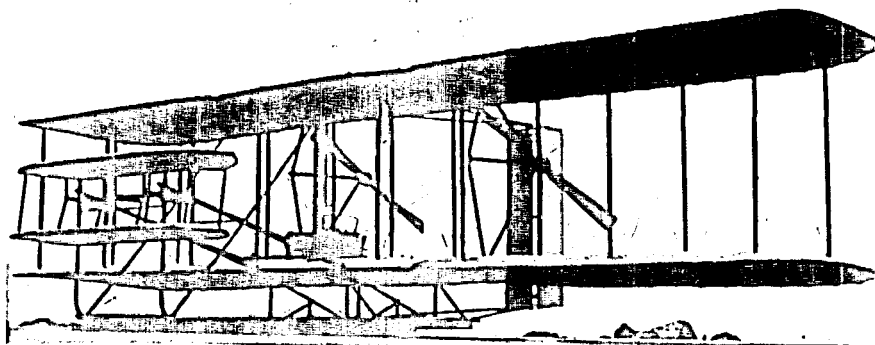


*Airbus — the fruit of a joint venture by the aerospace industries in several European countries.  
This highly-advanced, economic aircraft is now flying high on the world market.*

The Commission therefore takes the view that there should be four main objectives. The first is to set up an efficient intra-Community network tailored to the interests of the passenger, unimpeded by national restrictions and offering moderate fares to all types of passenger. This means greater freedom of movement for charter traffic; new scheduled routes and a broader range of cheap fares. Implementation of these demands can be facilitated by common rules on: competition, aids, freedom of establishment, stabilization of the currency rates used for fixing fares and compensation in the event of overbooking (when a passenger is 'bumped' off a flight). The second objective is to establish or restore the airlines' financial equilibrium by lowering costs and increasing productivity. Simplification of customs and administrative formalities and the harmonization of technical standards can make a contribution in this area. The third objective is to safeguard and improve social provisions for employees and to eliminate the remaining obstacles to the free exercise of an occupation throughout the Community. This covers the working conditions of flying and ground personnel and mutual recognition of professional qualifications, licences and the like in all the Member States. The fourth aim is to take account of general economic and social interests, including rationalizing energy consumption, improving protection of the environment, developing the aircraft industry and promoting regional policy.



A droite: montage photographique représentant l'établissement du campement de Saint Marc à Venise, en 1902. Ci-dessous: l'« avion » des frères Wright, 1903.



*The aircraft flown by the Wright brothers back in 1903.*

In the meantime the Council has adopted several of the Commission's proposals. It endorsed a joint consultation procedure based on that already in use in the maritime shipping sector and providing the Member States with an opportunity to coordinate their attitudes towards non-Community countries and in international organizations. It also adopted a Directive on the reduction of aircraft noise, which makes the registration of aircraft dependent on a noise certificate and sets deadlines for the retirement of aircraft without such a certificate. The use of noisy aircraft for which this certificate has not been issued is permitted only until the end of 1986 (until 1988 in exceptional cases).

In December 1980 the Council approved a proposal concerning future cooperation and mutual assistance between Member States in the field of air accident investigation. The Council Directive will lead to better utilization of equipment and easier access to the necessary expertise.

In November 1980, in response to the call made by the Council in the course of its discussion on the Commission's memorandum, the Commission proposed a Regulation on inter-regional air services. The Commission did not advocate complete freedom of access to the market, but, in effect, proposed to lift a clearly-defined segment of the market out of the existing bilateral system in order to create opportunities for more airlines to operate certain routes, outside the trunk routes.

Furthermore, in 1981, the Commission submitted to the Council proposals for a Directive on air tariffs and a Regulation applying the EEC rules on competition to air transport.

In the field of air safety the Commission has been taking action on three main fronts: air traffic control, safety measures on board aircraft and search and rescue operations.

Air traffic control was not included on the Council's list of priorities for air transport. Because of the highly technical nature of the subject, the Commission does not have the necessary means for direct action and has signed a cooperation agreement with Eurocontrol instead.

The Commission also ordered a study on the constraints on the development of air transport, which showed that the different air traffic control systems in the Member States, and in particular the links between the different national systems, are far from ideal and lead to under-utilization of the available capacity in some sectors of airspace.

The memorandum and other initiatives by the Commission have reactivated the dialogue with all groups with an interest in the common transport policy.

### *Competition from certain State-trading countries*

In recent years the transport sector has been increasingly plagued by a problem long known to other economic sectors: unfair and harmful competition from firms in a number of State-trading countries. Although it is international sea transport has been worst affected, road haulage and inland waterway traffic are also becoming increasingly involved. The Community is hence forced to take steps to protect its threatened interests although it stands in principle for a free market economy.

Comecon countries, especially the USSR, the German Democratic Republic and Poland have greatly expanded their fleets in recent years. The reasons for this are probably economic but may also be political and military. As they have expanded they have also made inroads into international sea transport, profiting from the fact that international shipping is still largely uncontrolled by national laws and thus accessible to anyone.

The advances made by Eastern bloc fleets have been at the expense of Community shipping companies. Competition had as its background two different economic systems: the free market economy and the State planned economy. Western shipowners have been at a distinct disadvantage. Comecon countries' foreign trade is conducted by State-owned companies which usually import on fob (free on board) terms where the supplier's responsibilities and costs end at the ship's rail but export, on the other hand, on cif (cost-insurance-freight) terms (all costs including freight up to the port of discharge). In both cases the State-trading countries choose the carrier and, of course, opt for their own ships. Originally they used these terms to save foreign currency for their own ocean freight but now use them to earn additional foreign currency (of which there is always a shortage because of their constant trade deficit). In this manner they have succeeded in capturing a major share of bilateral traffic.

Since cut-throat competition is at its worst in maritime transport the Community has concentrated its efforts here initially. The Commission has made a study of how far State-trading

countries have penetrated the liner trades, the methods they have used and the effects on the Community's shipowners. It has come to the conclusion that joint action must be taken to contain this negative trend. The consultation procedure for harmonizing relations between Community and non-Community countries, and for determining a common position in international organizations, could be used here with a view to arranging a preliminary exchange of information.

The Member States' positions in such conferences therefore must be aligned before discussions are held. The Member States must provide details of their relations and agreements with non-Community countries wherever the problems involved are of common interest.

The Council has adopted five measures concerning the shipping activities of certain non-Community countries and the collection of information about the composition of liner traffic in certain shipping areas. The Member States have set up a system enabling them to obtain any information which might be of interest about the activities of shipping companies in liner trades between the Community and the Far East, East Africa and central America. These arrangements apply both to non-Community and Community ships. The information required includes details of the date of arrival and departure of vessels, the tonnage and type of cargo and — where possible — the freight rate. All this, the Council hopes, will give a better idea of the situation and problems in shipping. The information is to be sent to the Commission every six months and will be discussed by the Member States during their regular talks on maritime transport.

The results will also serve as a basis for any joint counter-measures the Community might take. Under these measures the Council may unanimously decide that the Member States should take joint action against individual non-Community countries or a group of non-member countries. The measures taken will vary according to the relevant national laws. The Commission has, however, submitted proposals for common measures against the malpractices of certain non-Community countries. The Council recently adopted its first such measure.

Road haulage and inland waterway traffic face similar problems (for similar reasons) as shipping. In 1975 only 7% or so of the road-haulage business between the Community and Comecon went to Community carriers. The reasons for this minimal percentage are again the use of fob and cif terms, price and cost differentials and the lack of return loads. Eastern bloc road hauliers (particularly from Hungary and Bulgaria) have also made inroads into trade between third countries (e.g. Western Europe and the Middle East).

Western inland waterway operators (i.e. from the Federal Republic of Germany and Austria) have faced the greatest competition from the Eastern bloc, particularly on the Danube. Experience has not been encouraging. The share of both these countries in the Danube fleet has dropped to 10%. German and Austrian operators on the Danube keep going only because they receive State subsidies; this is the only way they can compete, since international Danube freight rates have been increased only once since 1955 despite rising costs.

Completion of the Main-Danube waterway in 1985 will soon link the two major European river systems and provide easy access from one river to another. Under current international rules (the Mannheim Convention) anyone may operate on the Rhine provided he satisfies a

number of technical conditions. International transport rates may also be freely agreed. For these reasons Community inland shipping operators fear that, once the Main-Danube waterway has been opened, Comecon carriers will also invade the Rhine market (in which they are already fairly active) and may create unfair competition for Community carriers. The Community, therefore, is extending greater protection to both these regions. In October 1979, after the Council had given its approval, the contracting parties signed an additional protocol to the Mannheim Convention under which vessels from third countries (i.e. countries which are not contracting parties or members of the Community) will in future require authorization to operate on the Rhine. The Commission is planning common rules for admission to the market in order to protect inland waterway operators on other waterways and road hauliers against the practices of State-trading countries.

### *External relations*

The objectives of the common transport policy include openness towards non-member countries. The effort to facilitate international trade must not stop at the Community's external frontiers, but must take them in as well. The policy must be designed to encourage non-member countries too to guarantee free movement across frontiers. Free transit between Member States via non-member countries is just one aspect of this objective.

The work undertaken by the European Community to shape its relations with non-member countries in respect of transport has grown faster than expected when the work programme was originally set up. There are two key factors in this development: firstly, the laying-up agreement for Rhine shipping which the Community negotiated and signed in its own right and, secondly, the agreement on international passenger transport for hire or reward. In addition, the Community has forged closer ties with the international organizations concerned with transport. Following the entry into force of the new arrangements covering relations between the Community and the United Nations, the Community now has observer status with the right to speak in the EEC's Inland Transport Committee in Geneva. Similar arrangements have been made with the European Conference of Ministers of Transport (ECMT) in Paris. The Community takes part in the work of ECMT's Council of Ministers and Committee of Deputies, but is barred from voting because the Community as such is not a member of the conference.

The Commission has also established new contacts with the OECD's Transport Committee and with the European Civil Aviation Conference (ECAC) in Paris and formed closer ties with the Central Commission for the Navigation of the Rhine (CCR) in Strasbourg.

As well as this, the Community also plays a part in the major international conferences dealing with transport. For example, it attended the North-South Conference in Paris, where shipping, air transport and infrastructure were on the agenda. It was also represented at the United Nations Conference on the Law of the Sea and at the Conference on Security and Cooperation in Europe, the Final Act of which includes important ideas on developing transport links between East and West.

Behind all this activity is the constant endeavour to present the Member States as speaking with one voice in external relations. This is particularly important in the specific areas already

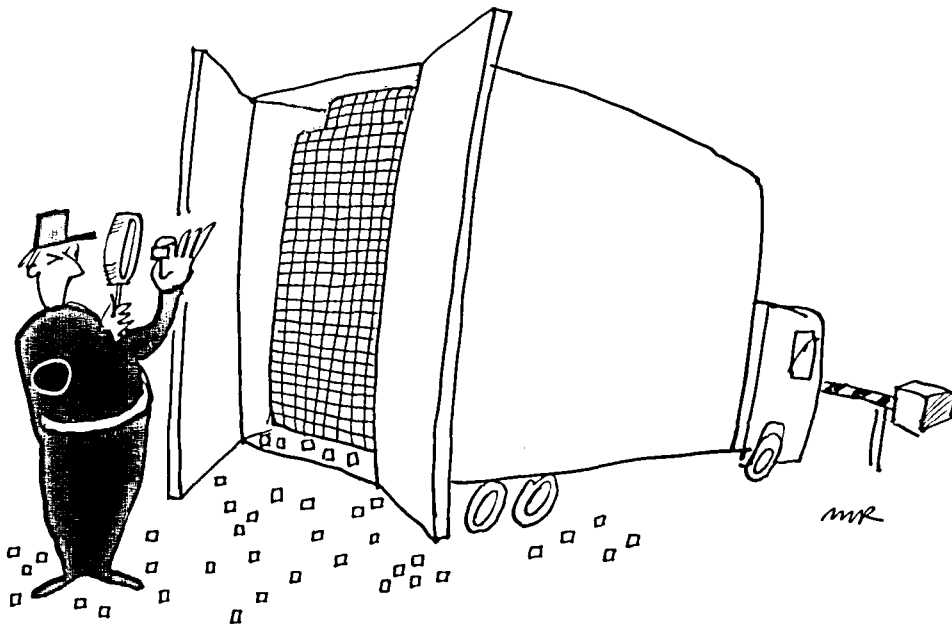
regulated by Community law. The fact that the Community presents a solid front to those outside is one tangible sign of the gradual integration of the transport policies of the Member States. This process runs parallel to the general trend in European integration, namely, that the Community as an entity is becoming a partner in world trade and represents its constituent Member States in many instances. Cases in point are the Customs Union and the trading policy to which it has led, or the Agreement of Association with the African, Caribbean and Pacific states, or the Community's other development policies. Neither the Community's neighbours, nor even the most distant non-member countries, should feel threatened by this drawing together of the Member States of the European Community in their external transport relations.

Rather, they should see it as a constructive contribution towards solving specific problems in a world which is becoming ever more complicated and ever more technical.

The Community wishes to include matters concerning its external frontiers in its efforts to simplify and rationalize international traffic in Europe.

### *Border crossings*

Trade between the Member States has grown by over 30% since 1958. Although the private motorist generally has little trouble in moving from one Community country to another, often conditions are far from ideal for commercial traffic which is still hampered by a series of obstacles at the frontier.



A group of independent experts whom the Commission asked to catalogue all the different kinds of border problems which arise came up with a number of striking conclusions:

- (i) some 70% of all the checks and formalities today are on services between the Member States;
- (ii) time spent waiting at the frontier adds 1 000 million ECU a year to road haulage costs alone;
- (iii) more efficient organization alone could reduce this waiting time by between 30% and 50% without calling into question the fundamental reasons for the checks and formalities.

At the start of 1982 the Commission followed up the expert's findings and suggestions with a proposal to simplify border crossings. As a first step towards doing away with the 70 or more different forms of check and formality the Commission decided to concentrate on organizing the existing checks more efficiently for the time being. Random checks, mutual recognition of certificates, longer opening hours at customs posts and other offices at the border, staff increases to cope with the higher traffic volume and fast lanes for transit or unladen vehicles would all help to achieve this objective.

Several of the Commission's moves to strengthen the internal market — including the proposal referred to earlier — will also have a direct impact on improving the traffic flow between Member States. One of the best examples is the proposed uniform document for intra-Community trade.

A substantial proportion of this intra-Community trade has to transit a non-Community country, be it Austria, Switzerland or Yugoslavia. Talks must be started with these countries soon with a view to simplifying movements across their frontiers.

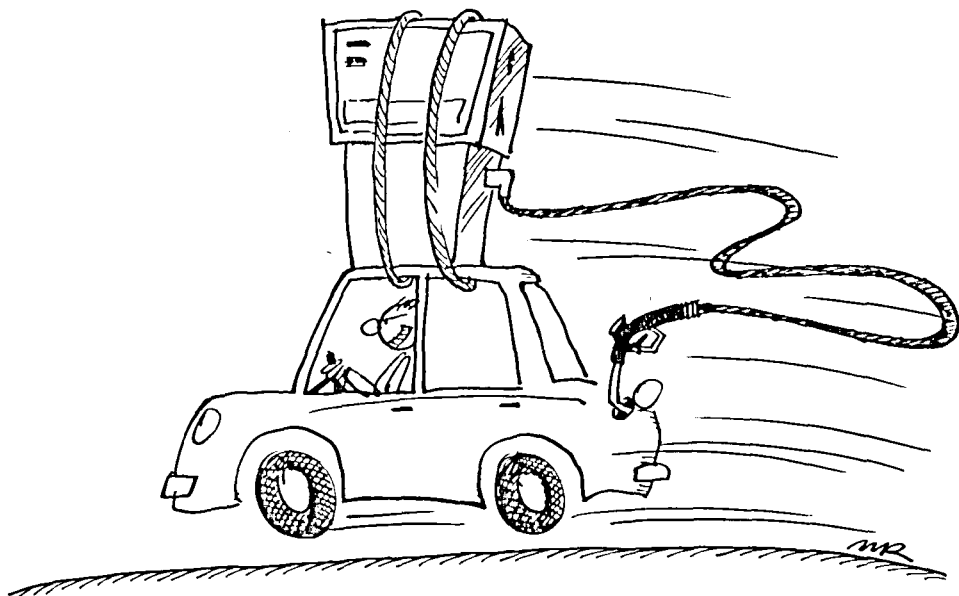
### *Energy consumption in the transport sector*

The transport policy's role in the integration process is to ensure that passengers and goods are moved economically and in conformity with the principles embodied in the Treaty — free movement of services, equal treatment and free choice for users.

But the same policy must also dovetail with the objectives of the Community's other policies — such as its industrial, social, regional, environment and energy policies — whilst at the same time ensuring that the action taken in pursuit of those aims does not further distort conditions for transport services themselves.

Energy policy is just one example of the interdependence between transport policy and other Community policies. As long as fuel was cheap and abundant the links between energy policy and transport policy remained loose. But the oil crisis tightened them. Now fuel supplies for transport services have become one of the central concerns in energy policy and energy policy one of the major constraints on the common transport policy.

Energy consumption in the transport sector is unique in a number of ways: it has been growing steadily at an average of 4.5% a year since 1973, petroleum products being the main fuels burned. Forecasts suggest that the transport sector will account for over half the Community's oil consumption in 1985.



In sharp contrast to consumption in other sectors of the economy, transport's share of final consumption of petroleum products rose steadily between 1973 and 1981, from 33% up to 47%, compared with reductions from 28% to 19% in industry and from 39% to 34% in the domestic sector.

Oil products account for almost all the consumption of the transport sector — the figure is 98% and has remained unchanged for ten years. Every mode of transport apart from the railways depends entirely on oil.

The Community energy strategy outlined by the European Council, particularly in its 1974 and 1980 resolutions, calls for measures to make the Community less dependent on oil, largely by means of more rational use of energy and greater diversification of supplies.

If this is to be applied to the transport sector today's energy consumption trends and patterns will have to be radically changed.

To bring about such far-reaching changes, the transport policy must also include energy priorities based on the following principles:

1. Save energy by cutting the consumption by individual modes of transport and by the national, regional and Community networks as a whole.
2. Diversify energy consumption by replacing oil by other fuels wherever possible.
3. Protect transport services from the danger of interruptions of oil supplies and take account of the fact that oil resources will become scarcer in the long term.

Six types of action can be followed to attain these aims: more efficient utilization of transport facilities, research, investment, taxation, information and training.

**ENERGY CONSUMPTION IN 1973 AND IN 1981:  
COMPARISON BY MODE OF TRANSPORT**

Country	Mode	Consumption in 1973		Consumption in 1981		Difference between consumption in 1973 and in 1981	
		million toe	%	million toe	%	million toe	%
EUR 10	Rail	6 010	4.7	5 254	3.4	- 756	- 12.6
	Road	104 344	81.4	128 767	84.5	24 423	23.4
	Inland waterway	3 786	2.9	3 271	2.1	- 515	- 13.4
	Air	14 079	11.0	15 054	10.0	975	6.9
	<b>Total</b>	<b>128 219</b>	<b>100.0</b>	<b>152 346</b>	<b>100.0</b>	<b>24 127</b>	<b>18.8</b>
B	Rail	288	5.8	240	4.2	- 48	- 16.7
	Road	3 974	79.9	4 781	84.4	807	20.3
	Inland waterway	179	3.6	129	2.3	- 50	- 27.9
	Air	532	10.7	515	9.1	- 17	- 3.2
	<b>Total</b>	<b>4 973</b>	<b>100.0</b>	<b>5 665</b>	<b>100.0</b>	<b>692</b>	<b>13.9</b>
D	Rail	2 125	6.4	1 624	4.1	- 501	- 23.6
	Road	27 343	82.8	34 042	86.7	6 699	24.5
	Inland waterway	1 081	3.3	441	1.1	- 640	- 59.2
	Air	2 493	7.5	3 156	8.1	663	26.6
	<b>Total</b>	<b>33 042</b>	<b>100.0</b>	<b>39 263</b>	<b>100.0</b>	<b>6 221</b>	<b>18.8</b>
DK	Rail	115	3.6	141	4.6	26	22.6
	Road	2 097	65.4	2 247	73.5	150	7.2
	Inland waterway	257	8.0	161	5.3	- 96	- 37.4
	Air	736	23.0	507	16.6	- 229	- 31.1
	<b>Total</b>	<b>3 205</b>	<b>100.0</b>	<b>3 056</b>	<b>100.0</b>	<b>- 149</b>	<b>- 4.6</b>
F	Rail	1 296	5.0	1 161	3.6	- 135	- 10.4
	Road	22 506	86.8	28 335	87.9	5 829	25.9
	Inland waterway	227	0.9	341	1.1	114	50.2
	Air	1 910	7.3	2 392	7.4	482	25.2
	<b>Total</b>	<b>25 939</b>	<b>100.0</b>	<b>32 229</b>	<b>100.0</b>	<b>6 290</b>	<b>24.2</b>
H	Rail	82	3.0	68	1.7	- 14	- 17.1
	Road	1 723	62.4	2 357	59.2	634	36.8
	Inland waterway	118	4.3	446	11.2	328	278.0
	Air	839	30.3	1 108	27.9	269	32.1
	<b>Total</b>	<b>2 762</b>	<b>100.0</b>	<b>3 979</b>	<b>100.0</b>	<b>1 217</b>	<b>44.1</b>
IRL	Rail	0	0	37	2.2	37	-
	Road	1 172	73.5	1 464	86.5	292	24.9
	Inland waterway	0	0	4	0.2	4	-
	Air	422	26.5	188	11.1	- 234	- 55.5
	<b>Total</b>	<b>1 594</b>	<b>100.0</b>	<b>1 693</b>	<b>100.0</b>	<b>99</b>	<b>6.2</b>
I	Rail	625	3.2	619	2.4	- 6	- 1.0
	Road	16 721	86.1	22 847	90.1	6 126	36.6
	Inland waterway	333	1.7	355	1.4	22	6.6
	Air	1 752	9.0	1 529	6.1	- 223	- 12.7
	<b>Total</b>	<b>19 431</b>	<b>100.0</b>	<b>25 350</b>	<b>100.0</b>	<b>5 919</b>	<b>30.5</b>
LUX	Rail	20	6.6	4	0.7	- 16	- 80.0
	Road	230	76.2	471	86.6	241	104.8
	Inland waterway	0	0	0	0	0	0
	Air	52	17.2	69	12.7	17	32.7
	<b>Total</b>	<b>302</b>	<b>100.0</b>	<b>544</b>	<b>100.0</b>	<b>242</b>	<b>80.1</b>
NL	Rail	136	1.9	132	1.5	- 4	- 2.9
	Road	5 074	70.7	6 946	80.8	1 872	36.9
	Inland waterway	1 081	15.0	583	6.8	- 498	- 46.1
	Air	888	12.4	937	10.9	49	5.5
	<b>Total</b>	<b>7 179</b>	<b>100.0</b>	<b>8 598</b>	<b>100.0</b>	<b>1 419</b>	<b>19.8</b>
UK	Rail	1 323	4.4	1 228	3.8	- 95	- 7.2
	Road	23 504	78.9	25 277	79.1	1 773	7.5
	Inland waterway	510	1.7	811	2.5	301	62.2
	Air	4 453	15.0	4 653	14.6	200	4.5
	<b>Total</b>	<b>29 790</b>	<b>100.0</b>	<b>31 969</b>	<b>100.0</b>	<b>2 179</b>	<b>7.4</b>

*Toe*: tonne of oil equivalent. It is defined as having an energy content of 41 860 kjoules per kilogram. This unit gives a comparable figure for each source of energy – based on their equivalent calorific values – so that an aggregate figure can be calculated.



**CHANGES IN ENERGY CONSUMPTION IN THE TRANSPORT SECTOR BETWEEN 1973 AND 1981 BY MODE,  
SOURCE AND COUNTRY**

		1973		1974	1977	1980	1981		81/73	
		1 000 toe	%				1 000 toe	%	Difference	%
Mode	Rail	6 010	4.7	5 716	5 292	5 399	5 254	3.4	- 756	- 12.6
	Road	104 344	81.4	100 901	115 732	129 407	128 767	84.5	24 423	23.4
	Inland waterway	3 786	2.9	3 790	4 373	3 492	3 271	2.1	- 515	- 13.4
	Air	14 079	11.0	13 059	14 200	15 217	15 054	10.0	975	6.9
	Total	128 219	100.0	123 475	139 597	153 515	152 346	100.0	24 127	18.8
Source	Solid fuels	998	0.8	736	250	180	159	0.1	- 839	- 84.1
	LPG	819	0.6	837	1 256	1 707	2 018	1.3	1 199	146.4
	Motor spirit	75 443	58.8	75 308	81 162	88 369	86 286	56.6	10 843	14.4
	Kerosenes and jet fuels	14 080	11.0	13 052	14 056	15 101	14 959	9.8	879	6.2
	Gas diesel oil, liquid fuel oil	34 154	26.6	33 701	40 032	44 948	45 774	30.0	11 620	34.0
	Residual fuel oil	556	0.4	598	392	538	493	0.3	- 63	- 11.3
	Natural gas	137	0.1	183	260	260	261	0.2	124	90.5
	Total	128 219	100.0	123 475	139 597	153 515	152 346	100.0	24 127	18.8
Country	Belgium	4 973	3.8	4 668	5 499	5 797	5 665	3.7	692	13.9
	Denmark	33 042	25.8	31 757	36 585	40 426	39 263	25.7	6 221	18.8
	Germany	3 207	2.5	2 926	3 168	3 148	3 056	2.0	- 149	- 4.6
	France	25 939	20.2	25 557	28 900	31 716	3 229	21.2	6 290	24.2
	Greece	2 762	2.2	2 360	3 095	3 935	3 979	2.6	1 217	44.1
	Ireland	1 594	1.2	1 373	1 544	1 737	1 693	1.1	99	6.2
	Italy	19 431	15.2	19 066	21 462	24 611	25 350	16.6	5 919	30.5
	Luxembourg	302	0.2	289	372	495	544	0.4	242	80.1
	Netherlands	7 179	5.6	6 721	8 467	8 580	8 598	5.6	1 419	9.8
	United Kingdom	29 790	23.2	28 753	30 514	33 070	31 969	21.0	2 179	7.4
	Total	128 219	100.0	123 475	139 597	153 515	152 436	100.0	24 127	18.8

Substantial fuel savings could be made by increasing the productivity of transport services, and in particular by cutting down the number of empty journeys, which at present account for roughly half of all trips made.

Research, development and demonstration (RDD) programmes would also help change users' and industry's attitudes to energy.

Taxation arrangements can act on fuel prices and on vehicle sales and thus gradually produce a new mentality on the part of users which in turn would eventually filter through to carriers and vehicle-makers.

Investments could be made to promote the development of more fuel-efficient vehicles or of vehicles powered by fuels other than oil to keep a skeleton service operational even if there is an unexpected oil shortage.

Finally, information and training can produce more far-reaching changes in drivers' behaviour once they have been taught how to save energy and why.

At Parliament's request the Commission is now looking into ways and means of setting up an action programme to save energy in the transport sector.

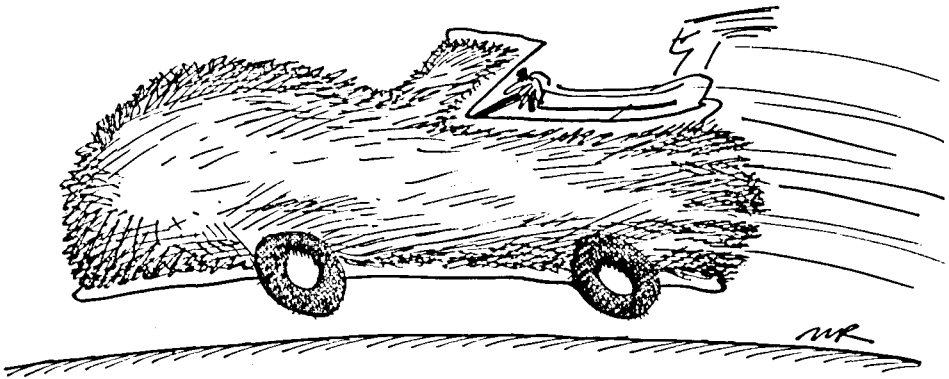
The Commission has started by analysing the energy consumption pattern in the transport sector between 1973 and 1981 and asking the professional organizations concerned with inland transport to let it know the potential for energy savings in each of the three sectors concerned.

## VI — Looking ahead to the enlargement of the Community

Just as the accession of Denmark, Ireland and the United Kingdom followed, in 1981, by Greece marked a decisive new era for the Community and for the common transport policy, so too the future enlargement of the Community will make its impact. The new Member States will of course adopt the existing rules but the framework will change. Soon Portugal and Spain will undoubtedly be having their say in formulating policy.

A development of general significance is that the accession of the new partners will push the Community's sphere of influence towards the South. Trade between the old and new Member States will undoubtedly expand, but not overnight. The two new Member States already sell over half their exports to the Community. The security which the Community will provide for their economies should also encourage the establishment of more industries in these peripheral States of Europe and hence lead to a more widespread division of labour. This, hand in hand with the expected increase in imports, will expand trade. Their accession may, however, also lead to changes in the pattern of trade. Italy and France, for example, which are the main fruits suppliers, will in the future share the market with the new members, where agriculture is of major importance, although industrialization is well advanced there.

It should also be remembered that the new members are remote from the other Member States. This could in theory benefit combined road/rail transport (provided the organizational and technical problems can be solved). The rules already adopted or planned for combined transport would play an extremely useful role here. On the other hand, road haulage is the most flexible form of transport, and may offer significant advantages in the initial development stage of these new Community links. The Community's efforts to achieve greater freedom of movement in road transport, greater safety and more uniform conditions of competi-



tion will be important here. Another problem — that of road congestion — is unfortunately, likely to become more acute. Enlargement of the Community will increase transit traffic through the States situated in the centre of the Community. Existing bottlenecks will become even worse, causing problems, especially in the Alps, which also will affect non-Community countries. This will compound, the difficulties in harmonizing (and finding financial support for) road construction. There also is a serious shortage of modern road networks in the applicant countries. The Commission therefore pointed out in its memorandum on transport infrastructure that account should also be taken of the new members.

The importance of shipping in transport policy also increased with the 1981 enlargement of the Community since Greece has a particularly large fleet. Greece has always been a keen supporter of unrestricted shipping and has certainly promoted this aim in the Community's shipping policy.

This applies particularly to the upholding of market economy principles in bulk shipping, hotly disputed by some Third World countries. A large number of Greek ships operate in this specific sector.

It should, however, be remembered that the accession of these countries will also mean that transport interests will be spread over a wider area, and that current differences between Member States will be accentuated. It thus probably will not be easier to reach common decisions. On the other hand, enlargement will improve the Community's opportunities on the international scene, will give its transport policy more impetus, and open up new opportunities for transport operators in the Community.

## Further reading

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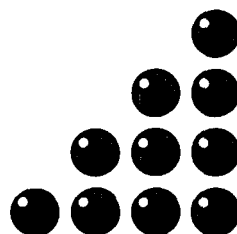
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# EN

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Transport contributes 6.5% of the gross Community product and thereby holds a larger share than agriculture, which accounts for 5%. Some 6 million people are employed in the transport sector, a million of them in the railways of the Member States. The volume of goods transported throughout the length and breadth of the European Community was 6 500 million tonnes in 1974; the figure is expected to exceed 9 000 million tonnes in 1985.



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