



EUROPEAN COMMUNITY

FOR COAL AND STEEL

B U L L E T I N

N° 6

INFORMATION SERVICE, HIGH AUTHORITY, LUXEMBOURG

June, 1954

TRANSPORT ON THE COMMON MARKET

«There is no doubt that among the most important factors distorting costs - that is, among the main obstacles to a more rational distribution of production in western Europe - must be included transport rates». -

Economic Bulletin for Europe, Vol. 2, N° 2, p. 44.

No doubt when Cheops built his pyramid, his ministers spent time, slaves and organising effort above all in moving the heavy stones from the quarry on to their appointed places on the monument : transport was their most expensive item. Even today in western Europe, a fifth of the price an engineering firm pays for bulk goods, like the coal, iron ore, scrap and steel it buys on the common market, is likely to be for carriage - of raw materials to the blast furnace, and of the finished steel to its destination. For coal, the proportion may be still higher : a third of what the consumer pays may be for costs of movement and delivery.

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In the Community at present, some of the most effective barriers to wider trade arise from the chaotic muddle which protectionist, or simply divergent, national policies have created in transport prices. The member countries have, by the ingenious use of different freight rates for different consumers, for years been penalising

the foreigner and encouraging or shielding home producers. The part of transport costs in the end price being what it is, one of the High Authority's main preoccupations in forming an effective single market is to iron out these distortions, deliberate or accidental.

DISCRIMINATIONS ENDED

On 25 October 1952 the High Authority summoned a Transport Commission of experts to diagnose the distortions and propose remedies to the governments of the member states.

32 Cases Cleared The Commission began with the simplest cases of unequal treatment : the "discriminations" which arose because in most countries foreigners had to pay more for their transport over the same distance than "native" consumers. Two examples : the French railways charged Belgian steelmakers buying iron ore from Lorraine more than their French competitors. The Belgians, on the other hand, made the French exporter pay a higher price than the Belgian for shipping steel on to the world market through Antwerp.

All the thirty-two cases about which complaints had been made had been dealt with by the end of 1953. In this way, inequalities affecting 45 million tons of traffic per year, have been ended by the High Authority. There is, for instance, no doubt that increased Belgian purchases of iron ore from Lorraine are in part due to the average drop of 8 % in the relevant freight rates.

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

INTERNATIONAL THROUGH RATES

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

As it is always the "foreigner's" goods which are delivered across frontiers, it is not surprising that international traffic is the Cinderella of the present transport system.

HOW THE TRAFFIC GOES

70 % by RAIL
20 % by BARGE
10 % by ROAD

The railway is the big carrier of Community goods. The barges often take the longest distance traffic (for instance from the Ruhr to Italy).

The road, of course, is for the short haul.

The present Bulletin refers essentially to rail traffic. Water and road traffic problems, e.g. those on the Rhine, are under study.

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

Lower International Rates The experts of the Transport Commission, on May 12 this year, six months ahead of the time laid down in the Treaty, proposed to the member States' governments that all inequalities of treatment for international traffic be removed. If the national governments do not apply these recommendations by March 1955, the High Authority itself can do so.

These proposals will lead to important changes.

Ruhr Competes in Paris One is that the price of delivering Ruhr Coal to Paris should fall by £ 1 (nearly \$ 3) a ton. This should increase the competition of Ruhr coal against that of the main French coalfield (Nord et Pas-de-Calais) in one of its chief delivery areas.

Cheaper Costs for Lorraine If all inequalities were ironed out, Ruhr coal and coke would be transported 40 % more cheaply to the steel plants of Lorraine and Luxembourg - resulting in a possible 2 % reduction in the production costs of steel. Finished Lorraine and Saar steels would also be transported to areas of consumption in southern Germany more cheaply - making possible reductions of up to 2 % and even 3 % in delivery prices to some consumers (e.g., in Nuremberg). That should mean greater competition in the southern German market.

The French steel industry has, naturally, been pressing energetically for these transport price reforms. This explains why, though the French railways stand to bear the main financial loss of the reforms, the French representatives are the most eager for them.

Advantages for Italy and Belgium Other changes would also result. For instance, Saar coal now sold in southern Germany on the strength of a large export subsidy would cease to need it, and be able slightly to lower delivery prices. The rates affecting Belgian purchases of iron ore from France and Luxembourg would again fall, while Belgian coals would come into France more cheaply than they do now. The Italians, importing the scrap which is the principal raw material of their steel industry from France and Germany, would pay less for transport than they do now.

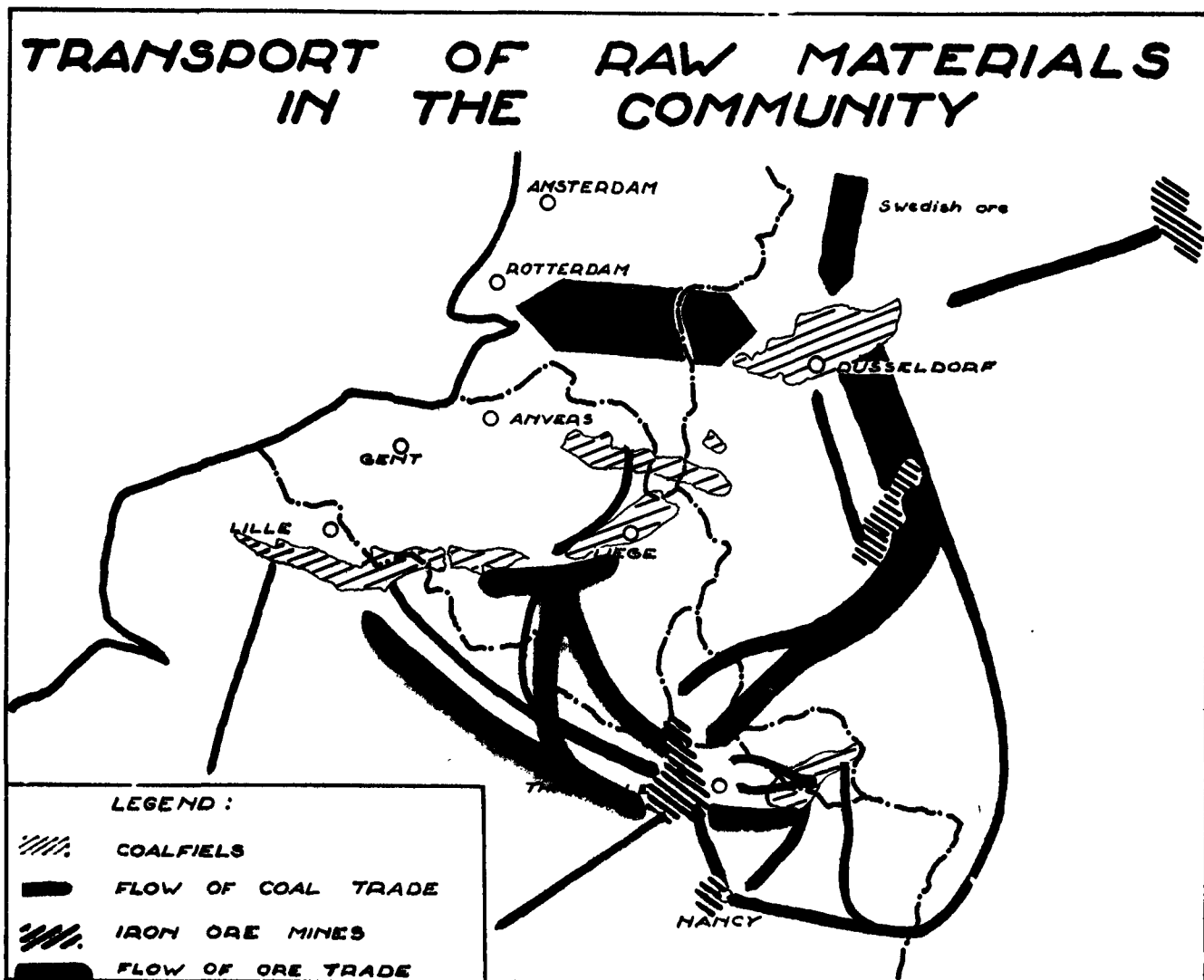
HOW FRONTIERS RAISE PRICES

"Load-Breaking"

These advantages would come largely from putting an end to "load-breaking". Immediately a train crosses a frontier today, it is treated by the national railways as if it had just started off from its home station. The cargo, that is to say, loses the benefit of the falling charge per ton and per mile which is accorded on all railways as the run grows longer ; it also has to pay heavy terminal station fees - for an imaginary terminal station - before continuing on its journey. This practice can add ten shillings a ton to the cost of coal - and happens at every frontier. Ruhr coal sent to Paris crosses both the Belgian and French frontiers, for instance, and now pays each time.

Preferential Rates

Then there are the various kinds of preferential rates. They need not all be "discriminatory". For instance, the low rate the railways in France and Germany charge to domestic steelmakers for their transport of coke is in itself legitimate. But it ceases to be legitimate when, as in the classic case of the coke on the international Ruhr-Lorraine run (which is penalised by seven different kinds of "discrimination"), a higher rate is in fact charged both by the German and the French railways. It is to offset this disadvantage, and to lower coal and coke prices, that the French Treasury has been paying heavy subsidies to the Lorraine steelmakers.



"HARMONISATION"

It has been found in setting up the international through rates that to ensure equal opportunity it is not essential to impose a single level of transport charges throughout the Community. National differences can remain without hampering the common market (1).

Nevertheless, within national practice there are differences of price policy which would, if endorsed, further tend to falsify competition on the common market. These differences must be eliminated.

HEAVIEST TRAFFIC ROUTES

The heaviest long distance traffic is to be found down the Rhine, by barge, and along the Moselle valley by rail.

40 millions tons of Community traffic are carried every year on the Rhine between the Ruhr and Rotterdam, which makes the Rhine the biggest of all the Community traffic carriers.

Down the Moselle valley goes much of the Ruhr coal and coke for the steel plants of Luxembourg and Lorraine: 5 - 6 tons a year.

This policy of ironing out distorting influences without levelling the basic transport charges of the member countries is known as "harmonisation".

Standard Rates of Price Fall

In all countries, the cost of carriage falls in proportion to the increase in the distance travelled. But in some, as in Belgium, it falls fast, in others - Italy - only slowly. To set up the international "through-runs" without economic distortion, the rate at which it falls must be standardised throughout the Community. As in France, Germany and the Netherlands the rates of fall are almost identical and in Luxembourg the runs are too short for any fall to operate, little difficulty is expected in standardising them (2).

"Spread" of charges between Different Goods

Another source of inequality can best be shown by an example. In France, ore costs about the same to ship as coal. In Germany, it costs less than half as much. The result is that German ores compete in many parts of Germany with foreign ores not on the basis of their costs of production, which are high, but on that of favourable transport rates. Such differences too must be removed.

(1) Indeed, they must : the Treaty gives the High Authority no power to modify the internal level of transport charges in any member country. Transport costs about the same in Belgium, France and Germany. In Italy and the Netherlands it is little more than half, and in Luxembourg it is 1 1/2 times, as expensive.

(2) The standard may of course differ between different products. Coal, for instance, would have a different rate of fall from that of steel, as coal is a cheaper commodity.

Divergent Practices : The third main source of inequality comes
"Block Trains" simply from the divergent practices followed
 in different countries. The French have a rate
for "block trains" - trains hauling only one bulk cargo, such as ore or
coal, to one destination - which is on the average 20 % cheaper than the
ordinary charge. They have recently extended the concession but only
to the Belgians who alone of the other railways also use "block trains".
The Belgians celebrated the occasion last April by a small ceremony
when the first "block train" left Monceau-Fontaine for Orléans in France.

Proposals by October The Transport Commission is now working
 on this most ambitious part of its work and must
hand its proposals to the governments by October 25. "Harmonisation"
should come into force simultaneously with the international through rates,
though the governments cannot be compelled in this respect to apply the
Commission's recommendations.

RESULTS

Some time in 1955 international through rates should come into
force in the Community, and freight rates be "harmonised". What will
the results be ?

Ending Distortions Not, one should expect, the lowering of the
 general levels of transport costs. Most

INSTITUTIONS OF THE COMMUNITY IV - COURT OF JUSTICE

The Court of Justice exists «to ensure the rule of law in the interpretation and application of the Treaty and its implementing regulations».

Any individual, enterprise or government of a member state may appeal to the Court, which has sole power to judge whether the High Authority decisions should be upheld or quashed.

No national court has jurisdiction in these matters. The Court's judgements are directly binding in all parties, whether national governments or enterprises.

The Court may arbitrate in any dispute between member states at their request.

The Court is composed of seven judges, appointed for six years by the Council of Ministers. The judges designate one of their number as President for three years.

Massimo PILOTTI (Italian) President
Petrus SERRARENS President of First
 (Dutch) Chamber
Charles HAMMES President of Second
 (Luxemburger) Chamber
Otto RIESE (German)
Jacques RUEFF (French)
Louis DELVAUX (Belgian)
Adrianus van KLEFFENS (Dutch)

VOLUME OF COMMUNITY TRAFFIC		
KIND OF TRAFFIC	ANNUAL RECEIPTS of TRANSPORT COMPANIES (MILLION \$)	ANNUAL WEIGHT of TRAFFIC (MILLION TONS)
TOTAL GOODS TRAFFIC IN SIX-NATION AREA	2,500	750
TOTAL TRAFFIC IN COMMUNITY GOODS (COAL, IRON ORE, SCRAP, STEEL)	1,000	300
ACROSS-FRONTIER TRAFFIC IN COMMUNITY GOODS	130	40

railways are already harassed by debt and may well compensate themselves for the 20 % loss in international receipts by raising domestic rates - a 2 1/2 % rise on coal and steel would cover all losses.

In any case, that is not at present the essential point of progress. What must go are the artificial advantages given to some producers at the expense of others, and to national as against international currents of trade. Once they are gone and it is impossible to apply new ones to protect national industry, the single market's effect in creating a competitive economy will be immensely enhanced.

Greater Interdependence
on the Common Market

The United Nations Economic Commission for Europe, summing up the likely results of a common market for coal and steel in Western Europe, came to the conclusion in 1950 that :

"It seems that the major economies can be achieved by replacing coal mined in difficult conditions in some parts of Belgium and France by heavier imports of Ruhr coal and by producing and consuming greater quantities of French iron ore which would replace ore mined in Western Germany."

(Economic Bulletin for Europe, Vol.2, N° 2, p. 47).

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

Modernisation in the
French Mines

It is interesting, for instance, that one of the motives given for the acceleration of the modernisation programme in the southern French mines, is that cheaper deliveries of Belgian and German coal expected

as a result of international through rates will make it harder for these mines to sell in northern France and the Paris region. So transport changes which have not yet come about are already playing a part in hastening the progress of the common market.

THE COMMON MARKET "MULTIPLIES"

Above all, the Community's transport policy shows how much beyond coal and steel alone the influence of the common market really extends.

Towards a Common Market for Transport ? The national transport policies which are being "harmonised" affect 40 % of the goods traffic and receipts of the railways of the member states, and 60 % of the traffic carried by water . That 40 % provides about £ 300 million (about \$ 1,000 million) a year in receipts for the companies, or one-fifth of the total value of coal and steel production in the Community ; in other words, transport adds another fifth to the size of the common market. Further, the very fact that so much transport has been adapted to the common market is in itself a big step towards a "common market" for transport as well as for coal and steel.

Pressures making For European Unity One of the most striking aspects of the European Coal and Steel Community to those who work in it is this "multiplying" influence.

It is not confined to transport, but affects fiscal and wage policies etc. and in a wider sense also the economic policies of the member states as a whole. On October 23 last year, for example, the governments of the six member states offered to examine their investment policies with the High Authority, to make them compatible with the development of the Community. The very problems which the existence of the Community raises are among the most potent forces making for European

THE MONTH PAST

- June 14** High Authority decides to give its patronage to a group of Trades Unionists from the Community industries invited by the U.S. administration to study the social effects of high productivity.
- The High Authority also decides, in response to the American administration's invitation, to arrange visits by engineers of the Community industries to the U.S.A.
- June 15** Negotiations open with Austria to meet the commercial effects of the establishment of the common market for special steels on Aug. 1st. Talks with Sweden are to follow.
- June 18** The High Authority permits Italy provisionally to maintain customs duties on the common market to allow her to adapt her industry, which suffers from overemployment, to meet competition. The duties range from 7 % on ball-bearings to rates for carbon steels similar to those for ordinary steels. The rates, and any problems, that arise in the Italian industry for special steels will be re-examined within one year.

THE WEEKS AHEAD

- June 29** Commission of experts meets in Geneva under the auspices of the International Labour Office and the High Authority, to prepare intergovernmental conference of the six member states of the Community on Social Security for migrant workers. This conference is to follow up intergovernmental Conference on the Movement of Labour (see Bulletins No. 2, p. 9 and No. 5, p. 9 opposite date of May 26).
- July 20** Commission of Experts due to present its report to the High Authority and the Belgian Government on the situation of four marginal mines in the Borinage (south Belgium) threatened with closure.
- Aug. 1** Common market for special steels due to be established.
- September** High Authority representatives to visit London for preliminary discussions with the U.K. Government on association between Britain and the Community. The visit, due for early July, has been postponed because of the illness of M. Jean MONNET, President of the High Authority