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COMMISSION
OF THE
EUROPEAN COMMUNITIES

General Secretariat

COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

Request for the unanimous assent of the Council under Article 54, paragraph 2 of the ECSC Treaty on the partial financing of a project designed to provide specialized railway wagons for the transport of coal and steel

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COMMISSION OF THE
EUROPEAN COMMUNITIES

Directorate-General
Credit and Investments

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Note to the Council

Subject : Request for the unanimous assent of the Council under Article 54, paragraph 2 of the ECSC Treaty on the partial financing of a project designed to provide specialised railway waggons for the transport of coal and steel.

Loan requested : £30 millions (approx. 73,5 million ECU)

Borrower : British Railways Board

The British Railways Board is a public authority in the UK providing an integrated railway service. Its main activities are the provision of a comprehensive passenger service and a mixed freight transportation service.

Other activities such as engineering, car ferries, hotels and property support these two main areas of operation.

Project description

Coal waggons

Specialised waggons have been developed to improve the efficiency of coal transportation between coal mines and electricity power stations using a system referred to as "Merry-go-round".

This system envisages a train comprised entirely of such waggons capable of being loaded or discharged without the need to stop the train, thus avoiding the costs of waggon handling at both mine and power station, and increasing utilisation of the waggons. At the mine, special loading equipment is used to fill each waggon as it travels slowly through the mine. At the power station each waggon discharges its load into underground bunkers as it travels past the power station.

The need for such waggons is expected to increase from a capacity of 57 m tonnes in 1979 to 64.5 m tonnes by 1982. To meet this need the British Railways Board is constructing 1 256 of these waggons in the period to end 1981 at a total cost of £21 million.

Steel Waggons

Specialised waggons have been developed specifically for the transport of semi-finished steel between works.

Developments within the UK steel industry where basic steel products are made at one plant and then transferred to another for finishing means that inter-works movements will form an increasing proportion of British Railways business with the steel industry.

Under the present transport arrangements loaded steel waggons are stored until sufficient are available to justify an optimal train load. The new waggons are being developed specifically for steel transportation and will have advanced braking systems. The new waggons are capable of being incorporated into existing mixed freight systems. The advantages to British Railways are greater flexibility, lower handling costs and a higher utilisation, although these are largely offset by higher construction costs for the specialised waggons.

Consequently British Railways are constructing 2 323 of these specialised waggons in the period to 31 December 1981 at a total cost of £43 million.

Community aspects of coal and steel transport

The coal and steel waggons have been developed specifically to meet the needs of the UK ECSC industries and the markets they serve. They will therefore be used exclusively for the carriage of Community coal and steel production.

Justification for a loan under Article 54 (2) of the ECSC Treaty

These investments in coal and steel waggons are necessary to provide the most efficient and cost effective service to both the coal and steel industries.

For the coal industry the alternative to this investment would involve substantial investment at both pit head and power station on railway marshalling yards and additional coal storage and handling facilities. The continuous use of the trains means a greater utilisation and lower unit costs for the transport of coal. British Railways have estimated that the current benefit to the coal industry is an average reduction in transport costs of 26.9 pence per tonne.

For the steel industry there will be only a marginal benefit in terms of transport cost per tonne because the higher capital costs of the waggons will largely offset the cost reductions to British Railways of operating more efficiently. The main benefits to the steel industry will be lower investments in stocks on waggons awaiting shipment, improved delivery times and greater flexibility in planning their production programmes.

The investments in coal and steel waggons are essential to both the coal and steel industries and by increasing their efficiency and reducing their operating costs they meet the objectives of Article 54(2) of the ECSC Treaty. The projects are therefore recommended for a loan under that article of the Treaty.

The capital costs of the investments total £64 million and it is proposed to grant a loan of £30 million to the British Railways Board for these projects.