



DEPARTMENT OF TRANSPORT
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Dear Peter

EUROPEAN COUNCIL: MILAN 28/29: TRANSPORT ISSUES

We spoke. My Secretary of State is taking to the Prime Minister's briefing meeting this afternoon the briefs she requested during Cabinet this morning on shipping, Anglo/French road haulage liberalisation (and its relationship to the Channel Fixed Link) and the ECJ Judgement against the Council of Ministers.

We have already circulated a brief on the ECJ Judgement. My Secretary of State will have copies of the briefs on the other two subjects to distribute at the meeting, but we agreed it would be helpful if I sent copies direct to you. I accordingly attach them.

I am sending a copy of this letter and attachments to Charles Powell at No.10.

Yours sincerely,

Henry Derwent

H C S DERWENT
Private Secretary

EUROPEAN COUNCIL IN MILAN 28/29 JUNE

BRIEF FOR PRIME MINISTER'S USE IN BILATERAL WITH PRESIDENT MITTERAND

CHANNEL FIXED LINK AND ROAD HAULAGE LIBERALISATION

Objective

1. To persuade French to abolish all quotas on lorry traffic between UK and France by the time Link comes into operation.

Line to take

2. Disappointed that talks between Transport Ministries on this are not making much progress. Large proportion (perhaps 50%) of UK trade will flow through Link when it is completed. Unacceptable for French to impose any restrictions on lorry traffic carrying this trade.

3. Does not make sense to retain artificial restraints which reduce traffic when we are making a huge investment to facilitate traffic. We want to maximise revenue.

4. if necessary Do not accept that UK must first accept 40 tonne lorry weights. Whereas lorry quotas are purely an administrative measure which can be lifted overnight, strengthening UK bridges to take heavier lorries will take many years and massive investment.

5. if necessary Question of French high speed trains (TGV) running to London is one for the two railway administrations to deal with. We will not stand in the way of agreement between the two railways on this subject so long as any British Rail investment is on a commercial basis.

Background

6. UK/France bilateral road haulage agreement currently imposes a mutual quota of 65,500 return trips by accompanied vehicles per annum. Although small increases in quota numbers are usually negotiated with the French each year, demand in UK for quota permits still outstrips supply. Since permits are required for journeys both terminating and transiting France and since our need to transit France is greater

than their need to transit UK, quota arrangement gives French road haulage industry unfair advantage. If Channel Fixed Link is built, even more traffic is likely to go by road and this unfair advantage will be increased.

7. The Secretary of State for Transport therefore pressed French Transport Minister Auroux at a meeting on 3 June to agree to abolition of quota system before or by the time Link is opened. Auroux resisted, but agreed to discussions at official level. So far, these have made virtually no progress, apart from French offer of minor concession on liberalising transit traffic - ie UK lorries transiting France to third countries. French have insisted that they cannot liberalise quotas for bilateral journeys until UK accepts harmonised community lorry and axle weights (one French suggestion is that we might open a limited network of routes to heavier lorries, as a gesture to help them with genuine political problems they have with their domestic road haulage lobby). They are also pressing us to agree that French high speed train should - if Link contains a rail element - be able to run through to London. Negotiations on this are proceeding between the two railways. Costs of facilitating French high speed operation on this side of the Channel would, however, be enormous, possibly hundreds of millions, given need for different electrification and loading gauge systems.

8. Within the Community, French have also been obstructive on liberalising road haulage, insisting that this must be accompanied by harmonisation of conditions of competition (eg lorry weights, vehicle taxation).

EUROPEAN COUNCIL

SHIPPING IN THE COMMUNITY

CABOTAGE

All Member States except the UK, Belgium, Holland, Denmark and Ireland reserve coastal traffic to their own carriers. This is not contrary to the Treaty of Rome, but the freedom to provide shipping services is an obvious element in any EC shipping policy, and forms part of the programme of completing the internal market.

We are negotiating bilaterally with Germany; France and Greece seems prepared to contemplate eventual liberalisation; Italy is still very resistant.

EXTERNAL SERVICES

France reserves government cargoes and some oil and coal imports to its own vessels. Traffic between France and North Africa is reserved to vessels of the respective countries.

Italy and Belgium have negotiated bilateral agreements with some developing countries which limit other EC members' opportunities to carry cargoes in those trades. This is contrary to OECD obligations as well as the spirit of the Rome Treaty.

STATE AIDS

France has a large national line which it has kept afloat with loan finance.

In Belgium and Netherlands government assistance to ports has helped them to attract traffic away from UK ports (though our own inefficiencies are the more important factor).

AN EC POLICY

Discussions are just beginning on an excellent set of proposals from the Commission for remedying all these problems (except state aids) as well as setting up mechanisms for dealing with protectionism on the part of third countries, and regulating competition in the liner trades.

The UK, Netherlands and Denmark want to see very early implementation. Italy, France and Belgium are dragging their heels on parts of the programme but there is something in it for everyone.

The French and the Italians will be the most difficult and we have to convince them that it is in their own interests to get a unified EC policy towards the rest of the world (the COMECON, the ldc's and the USA all present their own problems) as rapidly as possible. We must try to settle something before the entry of the thoroughly protectionist Spaniards complicates matters.

Department of Transport
Shipping Policy Directorate
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