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**Extract.**

[C.C.T. (14th Session) P.V.]

Geneva, July 15th, 1930.

LEAGUE OF NATIONS

**Advisory and Technical Committee for  
Communications and Transit.**

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**EXTRACT FROM THE MINUTES OF THE FOURTEENTH SESSION**  
**relating to the Discussions on the**  
**REPORT OF THE SPECIAL COMMITTEE**  
**ON QUESTIONS OF COMPETITION**  
**BETWEEN RAILWAYS AND WATERWAYS.**

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**FOURTH MEETING**

*Held on Thursday, March 13th, 1930, at 10 a.m.*

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*Chairman : M. HEROLD.*

Present : All those who attended the preceding meeting, except M. Poppius. There were also present : M. E. F. HECKSCHER, Professor at the University of Stockholm, Chairman of the Special Committee on Competition between Railways and Waterways, and M. J. DE RUELLE, Legal Adviser to the Ministry of Foreign Affairs, temporary member appointed by the Belgian Government.

Secretariat : M. HAAS (Secretary-General of the Committee), M. ROMEIN, M. METTERNICH, M. LUKAČ and MR. TOMBS.

**XX. REPORT OF THE SPECIAL COMMITTEE ON QUESTIONS OF COMPETITION  
BETWEEN RAILWAYS AND WATERWAYS<sup>1</sup> (Item 9 of the Agenda).**

(M. Heckscher and M. de Ruelle came to the table of the Committee.)

M. HECKSCHER pointed out that the question was raised for the first time in a report by Mr. Walker D. Hines<sup>2</sup>, who had received from representatives of river navigation on the Rhine and the Danube numerous complaints against the competition of the railways. He had pointed out that the question was too complex for him to study in detail. The Advisory Committee had then appointed a Committee to examine it. That Committee had collected

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<sup>1</sup> Document C.127.M.43.1929.VIII.

<sup>2</sup> Documents C.444(a).M.164.1925.VIII and C.444(a).M.164(a).1925.VIII.

the opinions of those concerned, and had itself taken account of the facts, drawing to a great extent on the existing statistics. The main points of its enquiries and the conclusions at which it had arrived were contained in the report now before the Committee.

Unfortunately, the Committee had been obliged to limit its examination, on account of the lack or inadequacy of certain information. The statistics for the Danube were extremely meagre and in general were not comparable with pre-war statistics owing to the frontier changes which took place after the war. For the Rhine, the Committee had only inadequate information for France and Belgium. In addition, it was very difficult to base any conclusion on the statistics of those two countries, since they had been rendered unreliable by reason of fluctuations in exchange. The Committee was thus obliged to confine itself to studying the situation in Germany. It was there, however, that the problem was most urgent, though doubtless the situation in Germany had its counterpart on the other side of the Rhine.

The Committee had also confined itself, but in that case voluntarily, to questions of an international character. Competition between German navigation companies on the Rhine and the Reich Railways did not concern the League of Nations. The Committee had concentrated its attention on competition between German seaports and the seaports of other countries, which appeared to be the crux of the situation.

M. Heckscher pointed out that the relative position of waterways and railways had not changed to any great extent since the war. A comparison of the tonnage showed that the waterways had a slight advantage. At the same time, if the details were examined, a certain number of changes could be observed. The number of kilometric tons transported by water had decreased. The transport of coal down the Rhine had increased considerably, it was true, but upstream traffic had decreased generally; and between Bremen and Hamburg and southern Germany a new railway traffic had sprung up.

It seemed clear that the German railways and, to some extent the French and Belgian railways, preferred direct rail traffic to combined rail and water traffic. The situation at the river port of Rotterdam remained good, but the river ports of southern Germany, and in particular Mannheim, had suffered greatly and had protested strongly. All those concerned in the prosperity of river traffic in the above districts considered that the unfavourable position in which they found themselves proved that the policy followed by the railways was bad.

The Committee did not adopt that point of view. It could not admit that there existed any indefeasible right to a position once acquired. The fact that the traffic at such ports was not what it had been in 1913 was not enough to condemn the measures taken by the railways. The only general rule which would enable the fairness of any particular measure to be judged could be expressed as follows: tariffs should be calculated in such a manner as to give the best possible result in transportation; in all cases they should cover the additional cost of transport; the tariffs should ensure the same surplus to the railway in either case. On that basis of calculation the trader would be able to choose the least expensive, when each offered the same advantages from the point of view of transport and, if one route offered greater advantages, account could be taken of that fact.

That principle would not appear to be difficult to apply. It simply involved a great knowledge of the real costs of transport. The German railways had studied the question very closely, but only very general figures had been published, and in the absence of certain information the Committee had experienced numerous difficulties in arriving at practical conclusions. The Committee had examined one instance of competition which could be considered characteristic, since attention had been drawn to it in a memorandum of the Chamber of Commerce of Mannheim and it had been later criticised by Dr. Spiess, one of the Directors of the German Reich Railways. It was the case of the transport of paper from Albruck on the Baden-Swiss frontier to Bremen on the one hand and Mannheim on the other. The distance between Albruck and Bremen was 836 kilometres and that between Albruck and Mannheim 305 kilometres. Nevertheless, the absolute amount (not only the amount per kilometre) to be paid for transport by rail was higher via Mannheim than via Bremen. The explanation of the railway administration was that, even if transport via Mannheim were facilitated on such a basis as would give the railway company the same surplus on that line as on the competing one, the port of Mannheim would not be able to acquire the traffic because the combined transport by rail and water would, in fact, be more expensive than on the all-rail route to Bremen. It was difficult, at first sight, to accept that assertion; and, if it were correct, no harm would be done by quoting a rate which would give the same surplus on both routes. Why were not traders given the choice?

It seemed obvious that the policy followed was not in the interest of the German railways. It had been said that the Dawes Plan involved the Reichsbahngesellschaft in the necessity of carrying as much traffic as possible. Its interest, however, and that of reparations, was to earn as much as possible, which was quite a different proposition, *e.g.*, wagons employed for transport between Albruck and the North Sea ports were used for a longer period for the same goods than if they were used on the route to Mannheim, and no railway interest appeared to be favoured by that.

The real reason was that the German railway authorities were not actuated only by commercial considerations, but also, and above all, by considerations of national policy, which had nothing to do with the working of the railways. It was not a question of competition between railways and waterways, but of competition between German seaports and the ports of other countries where the railway problem did not arise. The attitude of the German authorities in favouring German seaports was no doubt legitimate. It was

none the less true that that should be done, if at all, in a way which made it clear to everyone what was going on ; and that could only be achieved by granting actual bounties to traffic passing through them, instead of directing traffic over a more expensive route with the aid of railway rates not based upon additional cost of carriage.

The Committee recommended :

(1) In rate-making, the self-cost of working should always be considered (Germany was in an exceptional situation in that connection, as she had the benefit of the work of several experts — in particular, Dr. Tecklenburg) ;

(2) The users should be able to employ the cheaper route if it offered the same commercial advantages ;

(3) If it was desired to lead traffic in a certain direction, it should be done by means of bounties and not by railway tariff modifications.

M. Heckscher did not wish to dwell on the question of competition between railways and waterways from the point of view of France and Belgium. There was little exact information on that subject, and the situation was not serious. It could therefore be left on one side.

The CHAIRMAN desired to thank M. Heckscher and to congratulate him on the excellent work he had accomplished in collaboration with Mr. Dillon and M. Eberhardt.

M. SEELIGER congratulated Professor Heckscher on the report of the Special Committee over which he had presided and on the very clear statement which he had just made. He appreciated its complete objectivity, and his sole regret was that, owing to the lack of the necessary information, the report only dealt with the problem of competition between the Rhine river navigation and the railways from the German side.

He recalled that the question was raised in Mr. Walker D. Hines' report which was based on complaints coming from the navigation undertakings.

Competition between railways and waterways had existed from the time when the first railways had begun to function. Everywhere and at all times inland navigation had complained of the railways. It was somewhat amusing to recall that in 1850 the Rhine navigation had complained that, if the railways continued to develop to the same extent as hitherto, the navigation companies would be obliged to suspend operations.

M. Seeliger was very glad to note that in studying the question of competition between railways and waterways, the Committee had recognised in general that that competition was in reality a national question. Obviously it could have international repercussions, but the international interest was not injured by the fact that a railway administration, by introducing reduced tariffs, established a second possibility in addition to traffic by waterways, and in fact opened up the possibility of greater activity. What, in fact, was it desired to protect ; the interests of the means of transport or the interest of the traffic itself ? The policy followed by the railways had given a new impulsion to goods traffic. Competition between seaports and river-ports had contributed to the development of trade at those ports, in spite of competition. Moreover, in regard to railway rate-making the administrations had not as free a hand as M. Heckscher's statement might lead one to suppose. Tariff reductions on one line had to be compensated by increases on another. No railway administration could, in the long run, afford to lose its running expenses. But, whenever railways raised their tariffs, they were faced with the competition of other means of transport ; inland navigation, the coasting trade, and, at the present time, motor transport. When the railways wished to increase certain rates excessively, they came up against the barrier of competition. The railways were thus obliged to act with prudence.

In regard to national policy which had been so much criticised by the Committee, M. Seeliger said that every State must endeavour to obtain for itself as large a share as possible in world traffic by encouraging the exchange of goods. But, in the first place, it was imports and exports which were benefited by preferential rates granted to the seaports. The German railway policy had never been designed to injure foreign seaports. The present situation was not the result of any particular measure taken ; it was rather a consequence of the fact that the economic system of a country formed one whole.

M. Seeliger then considered the suggestion made in the report that tariffs should in all cases cover the additional cost of transport and that, in that connection, it was necessary to choose, as between two routes, the one which gave the best result for the lowest cost. He stated that the German railway administration would never contemplate attracting traffic to certain lines by means of special tariffs. It was obliged to publish all its tariffs, and the criticisms from economic circles to which it was always exposed made necessary the explanation, for the benefit of public opinion, of the motives which had actuated it in fixing these tariffs.

M. Seeliger was unable to admit the justice of the arguments in all their details raised in the report and by M. S. Heckscher in his statement. It was natural that even so eminent an expert, who was so well qualified and so rich in experience, should find difficult the extremely complicated machinery of the German railways. That admitted, however, his report was a very valuable contribution to the study of the problem of competition between railways and waterways.

M. DJOURITCHITCH associated himself with the words of the Chairman and M. Seeliger in expressing gratitude to the Committee for its useful and conscientious work. He hoped that the Committee would not make reservations on the value of the statistical and other

information contained in the report. It was a tradition that it should accept the work of the committees of competent experts which it constituted. On the other hand, it was for the Committee to see whether or not it could adopt as its own the conclusions of the Special Committee's report.

The first of those conclusions and the most important for the Committee was that inland navigation had not greatly suffered from the competition of the railways, which thanks to a system of decreasing tariffs had succeeded in attracting a certain amount of traffic. The establishment of those tariffs, however, was justified in view of the fact that the self-cost was much smaller when the distances traversed were longer. The rates might be based on incorrect computations, but it would be impossible to verify them in each case. Thus changes from one route to another had affected in particular certain river ports, but those changes were of an almost entirely national character. It could be seen, therefore, that the fears expressed by Mr. Hines had no basis. Consequently the Committee could adopt as its own that conclusion of the experts' report.

The Committee had made use of a great number of recent documents in proposing an international tariff policy which would permit of the almost total suppression of competition. Its work had furnished very interesting observations and would enrich the science of transport.

However, even if they adopted the Committee's point of view, the report was incomplete ; it mentioned the harmful competition due to tariff policy, but failed to mention investment policy and new works, although these also resulted in competition, the value of certain invested capital being destroyed by the investment of other capital which might have been used for more useful purposes. Such investment policy already contained the nucleus of all tariff policies and was frequently advanced in justification of the latter. Unfortunately, public funds were often employed within a State in putting two routes into competition. It was easy to see what difficulties would arise if an attempt were made to control this policy from the point of view of the international interest as the international problem was still more complicated. Even if there were perfect co-ordination within each country in this particular field, no attempt could be made to co-ordinate on international lines without taking into consideration all the economic interests of each country.

In rate-making, the calculation of partial self-cost and of additional cost was obviously essential and was indispensable to good administration. The Committee had seen fit to recommend that all railway tariffs should be put to the test of a comparison with their actual self-costs and that no tariff should be fixed higher than its partial self-cost.

These sound principles governing the commercial exploitation of railways and national economy were not always carried out integrally in the tariff policy of the individual countries, because they were combined with other principles, exigencies or working methods connected with the economic system of the country in question. Might it not therefore be premature to insist that they should be applied in the international field ?

Moreover, the value of partial self-cost was indeterminate and differed from one form of transport to another, frequently reaching vanishing-point for the railway ; any attempt to check the application of such values (supposing such a course were recommended or imposed) would therefore be illusory.

At the present juncture, in the international field above all, only measures which were clear, definite and unquestionable, and which could be checked in their application should be recommended.

With a view to removing the uncertainty which prevailed in reference to the determination of actual partial self-cost, the Committee had taken as its basis the expenditure incurred in respect of one supplementary train-kilometre. Leaving out of account the element of uncertainty in this new idea, they could see that, although it might be convenient and suitable for use in economic studies of railway administration, it was nevertheless only an average and therefore was never the same as the actual value, which alone should be taken into account in the cases they dealt with.

Railways had an advantage over waterways in the matter of tariff competition, because the partial self-cost was usually extremely low. This advantage was counterbalanced by the enormous initial outlay and the necessity for having tariffs which were fixed publicly in advance and applicable to all comers on the same footing. The advantage of waterways (in so far as their use was not restricted by competition) was that they could apply to the various categories of transport any tariff they wished, provided that the traffic could bear it. By forcing a railway to calculate its partial self-cost on the basis of the costs of a supplementary train, and by forcing it to keep in all cases its cost of transport higher than the cost price resulting therefrom, they should, as a rule, be making the railways lose to shipping interests, if the latter were interested in the traffic, all traffic for which it was not necessary to introduce supplementary trains, and for which the actual self-cost would naturally be lower than the self-cost calculated in accordance with the proposed method. Traffic in which the waterways were not interested would become impossible, although the railways might have been able to carry it with a margin of profit.

Again, the shipping interests would still enjoy the advantage of being able to fix their rates as they wished in each individual case (because they could not be prevented from doing so, and these rates were not published and might often be lower than the partial self-cost where the interests concerned wished to secure or retain certain traffic, or to give preferential treatment to certain ports or other interests.

M. Djouritchitch did not need to dwell at great length on the vagueness of the Committee's recommendation concerning the cheapest routes.

He would therefore sum up his opinion on the last two recommendations of the Committee.

They presented certain drawbacks owing to the vagueness of their contents and to the fact that they dealt prematurely with certain methods that formed part of the general economic policy of each country and that could not be treated in isolation: the recommendations could therefore hardly be adopted by the Committee for immediate application.

He nevertheless recognised the great value of the Committee's work, which would enrich one of the most important branches of the science of transport.

M. SCHLINGEMANN would be glad to have some explanations on the question of additional cost. He understood what was meant by the term but feared that in attaching too much importance to the calculation of additional costs as a tariff basis there was a danger that new means of transport would be benefited to the detriment of the old. Indeed, if a part of the amortisation of the invested capital was not charged to the new means of transport, tariffs could be maintained, at any rate for some time, at very low levels, as a means of propaganda.

M. Seeliger had said, on the other hand, that competition between railways and waterways was a permanent fact. That was true. The existence of such competition was not a danger to the world, but rather an advantage. It was, however, important to see how it was carried out. The railways had facilities which they did not possess in 1850, but which they had obtained by reason of their *de facto* or *de jure* monopoly. They could, if they wished, penetrate to all parts of a territory, but the waterways were unable to do so, and had to follow a route which was always more or less imposed on them by nature. Consequently, it was not so much a question of competition between waterways and railways as of competition between combined transport by water and rail on the one hand and rail transport on the other. The railways could always have the advantage in that competition. It was to the interest of everyone that they should not abuse their situation. In the first place, it was a national question, but there was a certain interdependence in the economy of the various countries which made it also of world interest. From the international aspect, what advantage was there in forcing traffic to leave its natural route in order to favour a particular port?

As to the question of self-cost, it was natural that the railways should always take it into account, and should not attempt to carry goods at a price lower than self-cost. Nevertheless, as a result of their monopoly which sometimes enabled them to gain on certain transport operations what they lost on others, they might be tempted to dispense with that rule and to adopt tariffs favouring a particular port which did not benefit the world as a whole. Consequently the problem dealt with by the Committee over which M. Heckscher had presided was pre-eminently of an international nature.

M. Silvain DREYFUS admired the Committee's report and M. Heckscher's statement, as well as the clearness and skill with which M. Seeliger had defended the German Railway Administration.

M. Seeliger had recalled that navigation had always complained of the railways. It should not be forgotten, however, that the converse was also true, and it could be said that the railways were in the habit of complaining of the competition of navigation.

M. Seeliger had observed, moreover, that international interests were not injured by the facilities given to certain seaports. That, however, was only one side of the question. The "Hines" report raised, above all, the question of competition between railways and waterways.

M. Seeliger had said that it would be difficult for the railways to lower their rates on certain lines and to seek compensation elsewhere. It would certainly be difficult but would not be impossible. As M. Schlingemann had said, the railway went everywhere, while the waterways were strictly limited by nature. It could be supposed that railways would profit by that situation to raise their rates where there was no competition from the waterways and to lower them elsewhere. Such a policy might lead to the ruin of certain water traffic. It would then no longer be a question of competition between two means of transport but of the disappearance of one of them. That would injure the interests of the public.

M. Silvain Dreyfus recalled that in the preceding year the Advisory Committee had considered whether it should discuss the question of competition between railways and waterways and had decided to do so. It was important now to decide whether, as a result of the Advisory Committee's discussions and decisions, account being taken of the reserves made both in the Minutes and in the resolutions, the Special Committee's report should become the report of the Advisory Committee itself, or whether the members of the latter Committee should simply be called upon to give their opinion on its conclusions.

M. Silvain Dreyfus considered that the first solution would be the better. There were, in the body of the report, extremely useful and interesting observations and considerations.

An examination of the report showed, however, that it was often difficult to interpret the tariffs. Thus, for example, on page 27, the report spoke of "special tariffs applicable to goods exported or imported through the French Channel or North Sea ports". In reality, however, the reduction of 10 per cent on goods exported was a general reduction which applied equally to exports by land and by sea. In the conclusions on page 28, the Committee quoted special tariffs which would appear to exercise, at any rate on certain districts, a direct influence on Rhine navigation. But the special tariffs mentioned in section 1 of the conclusions applied to the export of products emanating from the northern districts and destined to be transported by sea either by ships from America or from the Canary Islands. It was not clear how, at any moment, the Rhine could be utilised for the transport of these products. On page 172 would be found a table "summarising the measures taken by the French railway systems in respect of goods exported or imported through the Channel and

North Sea ports". Among the tariffs quoted under "A" only eight had been conceded on the plea of defence against inland navigation. For example, Tariff P.V.No.5/105 (molasses), Tariff P.V.No.9/109 (carriage of baulks of rough timber, etc.) and Tariff P.V.No.9/109 (carriage of rough rattan wood), were designed to combat competition on the Seine. It was also the competition of the waterways which led to the creation of tariffs P.V.No.10/110 and No.11/111. They were not tariffs for the purpose of favouring French ports to the detriment of foreign ports. Tariff P.V.No.29/129 (special arrangements for carriage of goods consigned in lift-vans from any station on the Est or Nord system to any seaport station on the Nord system or *vice versa*) was intended to offset the competition of motor transport. Finally, the direct Paris-London tariff mentioned in B (International Tariffs) was simply the result of the assimilation of English and French home tariffs.

In the conclusions of the report it was stated that the railways should never carry goods at a price lower than the self-cost of transport; this was an excellent method, but the great difficulty lay in the uncertainty which surrounded the computation of "additional costs". It might perhaps be possible to adopt also another principle, which was often employed by the French organisations which were concerned with tariffs (High Administration of the Railways, etc.) when establishing rates in cases in which water and rail transport were in competition. That principle consisted in taking as a point of departure the self-cost of the waterway and adding thereto, for the purpose of fixing the railway tariff, a certain percentage intended to cover the advantages of speed and regularity afforded by the railway.

Both these methods should be taken into consideration, while admitting the impossibility of adopting absolute rules applicable to all kinds of transport. Each individual case should be considered separately. It should be possible to arrive at reasonable solutions if the general observations which had just been made were borne in mind.

M. SINIGALIA wished to associate himself with the appreciation expressed by the members of the Committee with regard to the report of the Special Committee presided over by Professor Heckscher. He agreed with the observations of M. Silvain Dreyfus, especially the last.

M. DE RUELLE drew attention to the fact that, in the report, Belgium — in extenuating circumstances, it was true — was included among those countries which had adopted a tariff policy calculated to handicap the waterways by establishing tariffs entirely in favour of the railways. In view of the small area of Belgium and the lack of points of contact between Belgium and the Rhine, that reproach did not appear to be entirely deserved. The object of the tariffs was, indeed, to facilitate the sending, via Antwerp, of goods from the natural hinterland of the port of Antwerp. Combined tariffs for combined rail and water transport were hardly justified in Belgium, but, nevertheless, tariffs had been established in favour of combined transport. For example, Lorraine ores destined for the Ruhr were brought to Antwerp at a moderate tariff, which enabled them to proceed to the Ruhr via Antwerp and the Rhine.

M. de Ruelle supported M. Schlingemann's statement that in economic matters competition was no doubt an element of progress, but, as M. Schlingemann had also pointed out, there was, apart from competition which was admissible and justifiable, another kind of competition which was open to criticism and could almost be called unfair. In the latter case it was not, strictly speaking, a case of competition between railways and waterways, but rather of competition between the ports themselves. In that connection, M. Heckscher had put forward a solution which the Advisory Committee should not merely file in the archives of the Communications and Transit Section, but should keep in mind in view of its future studies.

M. HECKSCHER thanked the Committee for its kind appreciation of his report: he had been prepared for much more adverse criticism.

In regard to the documentation, he would reply to M. Silvain Dreyfus that it had been practically impossible for the Committee to study the French and Belgian tariffs thoroughly; it had confined itself to reproducing them as they were received.

M. Silvain Dreyfus had spoken of the uncertainty in regard to the calculation of self-cost and additional cost. He, M. Heckscher, recognised the justice of that observation, but had been unable to find a more efficacious principle than that adopted. He considered Dr. Tecklenburg was quite right in saying:

"Still, for the railway, as well as for every other industrial undertaking, a knowledge of its self-cost is indispensable; it needs it in the first place for judging its internal efficiency. . . . And it needs it as a basis for its rate policy. A solution must consequently be found, and can also be found, in spite of all difficulties, if that principle is taken as a guide that there is no question of computing the self-cost of each particular transport service on the basis of mathematically exact figures, but that it amounts to creating a picture which is true to life within reasonable limits and which makes it possible for the administration to base its decisions upon a judgment of facts which corresponds to the realities."

That was, in fact, the basis adopted by the German Railway Administration in calculating the cost of transport. It would be a pity not to make use of it in rate-making. M. Heckscher agreed with M. de Ruelle that there must be competition between the railways and the waterways. He considered, however, that, in order to be healthy, it should be based on an evaluation of the additional costs of transport.

He had not entirely followed M. Silvain Dreyfus when the latter had said that in estimating tariffs, a percentage should be added to the additional cost, in the case of railways, which would represent the advantages of speed and regularity of rail traffic. That was a problem for the trader. It was for him to decide of which route he would make use, whether he preferred to take into account the cost of carriage or regularity and speed.

On the other hand, M. Heckscher could understand very well M. Seeliger's point of view, that each country had to endeavour to attract to itself the greatest possible share of world trade. It was none the less true that if, in order to attract such trade, the railways were willing to lose on certain lines, someone had to bear the cost. Probably it would not be foreign countries which suffered, but certain German interests.

The railway administrations should do all they could not to obscure the problems, and to permit the effects which tariffs could have on the different branches of their economy to be seen clearly. But the only means of arriving at such a clear situation, if it were desired to give preference to one particular route over another, was by means of bounties.

M. Heckscher considered, moreover, that the policy followed by the railways in the case of the paper transports between Albbrock and Bremen led to a clear loss for the German railways, their wagons gaining less by being prevented from going to Mannheim, though they would then be in use for a shorter period.

In concluding, M. Heckscher stated that the work carried out by the German Railway Administration in establishing the self-cost of transport was of primary importance, and he hoped that the Committee would encourage the continuation of that enquiry.

M. SEELIGER was not sufficiently expert to give a reply on the question of carriage from Albbrock to Mannheim, but he would endeavour to find out the main reason which had actuated the railways. So far as he remembered the discussion, it was to the effect that the problem was so complicated, that so many elements entered into rate-making, that it was extremely difficult to detach the question from the framework of the commercial policy of each country.

On the other hand, he would point out that M. Heckscher, in asking that every preferential system should be based on the granting of bounties, had raised the question on to the moral plane. That was a very fine consideration, but it went beyond the present pre-occupations of the Advisory Committee.

Sir John BALDWIN stated the main point was to know whether the interests of consumers were unduly injured by certain measures of an artificial nature. He considered, on the other hand, that it would be very difficult to discover whether, in fact, the States which established such measures attained the results for which they hoped. Professor Heckscher had claimed that, in general, they did not. Sir John Baldwin thought that it would perhaps be interesting to pursue the study on a different basis. He believed that in the United States of America there existed many very detailed statistics which would bring nearer the solution of the question.

He considered that the Committee should adopt the report, taking note of the inaccuracies pointed out by M. Silvain Dreyfus and the slight divergencies of opinion which had come to light. Attention could be drawn to those matters in the Minutes. Moreover, the Committee could recommend that the Special Committee should continue its enquiry in the direction he had just indicated. Finally, he would point out, in connection with the remarks on page 29 regarding Rhine traffic, that it was difficult for the ports of Rotterdam and Antwerp to enter into competition with the other ports by means of preferential tariffs. They were bound by international treaties, which did not admit of any discrimination on the basis of origin or destination. The duties imposed on the vessels and on goods in transit had to be based solely on the cost of the service rendered. They were, in fact, rather at a disadvantage.

M. SEELIGER replied that the policy of all the great ports, when they desired to obtain the maximum trade possible, was to reduce their tariffs so far as possible. Thus, the treaties presented no danger for the ports in question.

The CHAIRMAN proposed that the Committee should ask the Bureau to prepare a draft resolution before the next meeting.

*This proposal was adopted.*

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#### FIFTH MEETING

*Held on Thursday, March 13th, 1930, at 5 p.m.*

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#### XXV. REPORT OF THE SPECIAL COMMITTEE ON COMPETITION BETWEEN RAILWAYS AND WATERWAYS (Item 9 of the Agenda) (*continued*).

M. SINIGALIA said that he had been under the impression at the previous meeting that the discussion of this item had been brought to an end when Sir John Baldwin had proposed that the enquiry which had been made the object of the report in question should be continued. Sir John Baldwin had, in particular, referred to the possibility of combined transport, in the hope that an agreement between rail transport and river transport might put an end to the difficulties described in the report.

M. Sinigalia thought that, apart from any question of expense, a new enquiry would take a very long time and that its results would be problematical. Competition between railways and waterways had numerous aspects, and the causes which determined them might be considered in very different ways according to circumstances. It would be difficult, therefore, to reach any general conclusion.

Sir John Baldwin had also referred to the situation in certain ports of Northern Europe. If M. Sinigalia had properly understood his observations, that question appeared to be outside the terms of reference of the Committee.

He did not wish to reopen the discussion which had enabled the various points of view to be clearly expressed. He would merely ask Sir John Baldwin to consider afresh whether the enquiry in question should be prolonged, and whether it would not be better to rest content with the valuable material collected by the Special Committee and with the very full discussion that had taken place at the previous meeting.

Competition had always existed and would always exist; if it did not do so, it would be necessary to provoke competition for the general good of humanity. It could not, therefore, be condemned, but care must be taken to see that it did not exceed reasonable limits.

The railway, which bore the main weight of the accusation, must examine its attitude in regard to the waterway transport undertakings which were competing with it, but it should not forget that those undertakings also provided it with a certain amount of its traffic. In conclusion, M. Sinigalia would offer this piece of advice to the Committee: "*Allegretto, ma non troppo!*"

The SECRETARY-GENERAL of the Committee said that the Committee was faced with a difficulty of procedure which was not insoluble. At the previous meeting, the Committee had been unanimous in considering the report submitted by the Committee presided over by Professor Heckscher to be an important piece of work and a valuable contribution to the solution of a question affecting European economy. It was obvious, on the other hand, that a detailed discussion of this report was materially impossible. In the interests of its scientific value, it would be better to maintain it intact, without seeking to amend it in any way in order to meet the views of members on any particular point.

The discussion which had taken place at the previous meeting was, in itself, a result which added to the value of the report. What the Committee had done was to associate itself, with a number of reservations made during the discussion, with the conclusions of the report. It should not, therefore, be difficult to draft a resolution in this sense, and this would be supported by the Minutes recording the discussion.

The question of an additional investigation remained to be considered. It would obviously not be necessary for the Committee to decide that the investigation should continue, unless it explained exactly in what that investigation should consist. In respect of the point raised by Sir John Baldwin concerning the information to be collected regarding special conditions in other continents, the Committee had always tried to complete the information it possessed by pursuing such studies. It would thus certainly be of interest at the moment, for example, as far as North America was concerned, to study the organisation of the Interstate Commerce Commission. The information on the subject could be collected by the Information Office and should not be lost sight of.

For the moment, the Committee should confine itself to examining the draft resolution concerning the report.

Sir John BALDWIN said that he wished to go beyond the desires of M. Sinigalia. The proposal of the Secretary-General of the Committee was more or less satisfactory. Personally, he thought it preferable for the question to remain on the agenda, in order that it might not be forgotten. It was a very important problem, the theoretical study of which might lead to interesting practical suggestions.

M. SCHLINGEMANN agreed with Sir John Baldwin in thinking that the question should remain on the agenda. The report, which was the result of very important work, was only the foundation-stone of a building whose future dimensions could not be gauged. Not only did the matter concern competition between two methods of transport, but it concerned also the economic side of transport. It was true that it would be necessary to collect an important amount of information, but this was not sufficient. Conclusions must also be drawn from that information.

Consequently, M. Schlingemann proposed that the question should remain on the agenda and that the study of it might be entrusted to a sub-committee.

M. SINIGALIA wished to define the elements of discussion. The Committee had been instructed to examine the question of competition between railways and waterways in so far as navigation on the Rhine and Danube was concerned. It must put forward a resolution on this definite point. If the problem were to be widened in scope, if the study of the investigations were to be continued, if information concerning other countries, other epochs and other means of transport were to be collected, a fresh discussion would have to take place.

M. Silvain DREYFUS agreed with M. Sinigalia. He would, however, recall that the Committee had, so to speak, drafted its own instructions, as the result of a resolution of the Genoa Conference of 1922. A preliminary report submitted by General Mance<sup>1</sup> dealt

<sup>1</sup> Document A.64.1923.VIII.



practically entirely with the question of railways, and it merely touched upon waterways. The Permanent Committee for Inland Navigation had initiated an enquiry into inland navigation, and Mr. Hines had been instructed to carry out this enquiry. The present situation had therefore been reached step by step. M. Silvain Dreyfus thought the moment had come to adopt a general resolution in reply to that adopted by the Genoa Conference.

Sir John BALDWIN emphasised the interest of the history of the question, as explained by M. Silvain Dreyfus. The report of the discussions of the Committee showed that it would be useful to continue the investigation, but not necessarily on the same basis.

M. Schlingemann had been right in maintaining that a study should now be made of the economic side of transport in general. Though Sir John Baldwin had no objection to changing the name borne by the study in question, he thought, however, that the report submitted by the special Committee presided over by Professor Heckscher should be regarded as a starting-point for the new investigation.

M. SEELIGER said that the account given of the question by M. Silvain Dreyfus had been entirely accurate. The Committee was required to undertake certain investigations periodically. This had been the practice followed up to the moment, in the form of enquiries described in the report submitted by General Mance and Mr. Hines.

The report of Mr. Hines left over certain points for investigation, among others the question of competition which had been made the object of a report by the Special Committee at the end of the present discussion. M. Seeliger agreed with M. Sinigalia and M. Silvain Dreyfus in thinking that the present enquiry could now be considered at an end. The Committee should state this, but should be prepared to take up the investigations again at a future date, though, in order to do so, it should not be necessary always to maintain the question on the agenda.

M. HÖRNELL wished to associate himself with the views expressed by Sir John Baldwin and M. Schlingemann. The conclusions of the report of the special Committee were certainly very valuable with regard to the parts of Europe with which they dealt, and the Advisory Committee should adopt them as their own; the Committee should, however, reserve the right to take up the investigation once more on a wider basis and with regard to parts of the world other than Europe where these problems arose in an entirely different manner.

The CHAIRMAN noted that the discussion had now reached the end of one stage. The Committee must now decide whether the investigation should be undertaken anew in another form or whether it should be retained on the agenda in order that it should not be overlooked.

M. SINIGALIA said that the discussion at the previous meeting called for the adoption of a resolution which should constitute something final. If it were desired to continue the investigation, this would be a fresh question and a definite starting-point, for it would have to be settled. It was impossible to carry out a general enquiry in the hope of reaching general conclusions. If similar questions were submitted to the Committee in the future, it must study them and, if possible, settle them, but there was no object in discussing a theoretical general enquiry.

M. SCHLINGEMANN felt the force of the objections raised by M. Sinigalia. He would be satisfied if the Committee asked the Secretariat, not only to collect data concerning competition between railways and waterways, but also to group them with a view to future examination.

M. Silvain DREYFUS said that while he was not very strongly in favour of the proposal to maintain the question on the agenda, it was because he did not see on what grounds such action could be taken. In every precedent that he could remember, the maintenance of such an item had been justified by special reasons (expectation of a report from experts, etc). The Information Service had been definitely created not only to collect information, but also to communicate it, if need be, to the various Organisations of the League. This service was competent to hold at the disposal of the Committee the information forming the subject of the present discussion.

The Committee could obviously decide to proceed to a new enquiry and to instruct a sub-committee to carry it out, but M. Silvain Dreyfus did not think that this was the intention of any of his colleagues.

Sir John BALDWIN pointed out that the draft resolution had not yet been submitted to the Committee. He would make his observations when the resolution was examined.

The SECRETARY-GENERAL of the Committee said that the draft resolution must, in his view, constitute a conclusion to the discussion of the report of the Special Committee. Any new investigation should be made the object of another resolution. This point was of no great importance in view of the fact that any member of the Committee might ask for the inclusion of a new item in the agenda.

M. SEELIGER said that the programme contemplated by the Genoa Conference was not yet exhausted and that a third enquiry might always prove eventually possible.

Sir John BALDWIN said that his only object was to prevent the burial of a report which he thought to be of great interest.

The CHAIRMAN concluded by deciding that the question should be examined simultaneously with the draft resolution concerning Item 9 of the agenda.

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SEVENTH MEETING

*Held on Friday, March 14th, 1930, at 5 p.m.*

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XXXI. REPORT OF THE SPECIAL COMMITTEE ON QUESTIONS OF COMPETITION BETWEEN RAILWAYS AND WATERWAYS (Item 9 of the Agenda) (*continued*).

The CHAIRMAN invited the Committee to examine the draft resolution submitted as a basis for discussion (see Annex 23).

The SECRETARY-GENERAL of the Committee read and commented on the draft resolution. He observed that the object of the first paragraph was to summarise the opinions expressed by the various members of the Committee, and pointed out that it was not intended to suggest at the end of the paragraph that the report offered a solution to the problem. It confined itself to making an important contribution without any pretension to having solved the problem. In the remainder of the resolution stress had been laid on the fact that the Committee had not considered it expedient to present a formal opinion on the subject of the use of the means of transport for purposes connected with economic policy, particularly in view of the limited nature of the question submitted for examination.

In the third paragraph, on the contrary, the Committee adopted a positive attitude. The meaning which it had given to the expression "normal lines" would be explained by an extract from the Minutes of its discussions.

The Secretary-General of the Committee recalled the recommendation on the subject of the relation which should exist between additional costs of transport and tariffs: the latter should not in any case be lower than the additional cost. At the same time, he reminded the Committee that it might nevertheless be advantageous in certain cases to draw up provisions which, for a certain time, might lead to a deficit, if there was a possibility, by so doing, of making an effective contribution to the general economy. It had appeared that certain exceptions would remain possible even from the economic point of view.

M. SEELIGER considered that the draft resolution offered a good basis for discussion. He would prefer, however, to see the word "solution" at the end of the first paragraph replaced by "appreciation", seeing that the Committee was still very far from being able to offer a solution to the problems.

Even after the explanations of the Secretary-General of the Committee, he felt some apprehension on the subject of the expression "normal lines", which appeared in the third paragraph. Personally, he would have preferred to retain the three first lines of the first paragraph, and to add to them the third paragraph regarding the conclusions of the report.

Sir John BALDWIN preferred the original text of the draft resolution. The first paragraph was a commentary; the third was a statement of the action taken by the Committee. He did not think it would be possible to combine them. The draft resolution did not give him entire satisfaction. He considered it inferior to the proposal which he himself had made. He would, however, accept it as a minimum.

M. DJOURITCHITCH proposed to say in the third paragraph: "the general conclusions are such as to make possible an improvement".

The SECRETARY-GENERAL of the Committee observed that it must not be allowed to appear that these normal lines of tariff policy were not at present applied.

M. DJOURITCHITCH replied that their application was less extended than was desired in the report. The railways began by applying them, but later had to give way before the pressure of questions of national economy and politics.

The CHAIRMAN invited the Committee to examine the draft, paragraph by paragraph.

*First Paragraph.*

M. SCHLINGEMANN observed that the first paragraph dealt only with the problems so far as they concerned European economic life. Since the enquiry did not concern Europe only, it seemed that the report should make clear the fact that it was also of interest for world economy.

The SECRETARY-GENERAL of the Committee recognised that the problem might arise in a similar manner in other continents. The enquiry had nevertheless been made only in Europe. Somewhat delicate problems might arise. The Committee should avoid appearing to give advice to countries faced with similar problems, but which were not represented on the Committee, in particular the United States of America. In reality, the problem only concerned each continent taken separately, and appeared under a different aspect for each. The enquiry had been undertaken without liaison between the continents.

M. Silvain DREYFUS considered that the expression suggested by M. Seeliger — “the appreciation of the problem” — would lead to ambiguity. It was necessary to place oneself in the position of the uninitiated person called upon to read the resolution. The “appreciation of problems” was difficult to define, whereas everyone knew what was meant by “the solution of problems”.

M. DE VASCONCELLOS saw no objection to retaining the words “solution of problems”, seeing that the report would in fact tend towards the finding of a solution.

He was in agreement with M. Schlingemann that the question should not be limited to Europe. The report was a contribution to the study of world economy, and it was particularly important to avoid suggesting that the League of Nations wished to limit its efforts to Europe.

M. SEELIGER explained what he understood by the “appreciation” of a problem. A problem had to be stated clearly before it was possible to consider its solution. That was what the report endeavoured to do.

M. SINIGALIA agreed with M. Seeliger. He was prepared to omit the word “solution”, in view of the fact that it was necessary to refrain from suggesting that a solution had been found.

M. DE RUELLE considered that the formula proposed in the text of the resolution was the minimum and that no omissions could be made. There were two sides to the problem — examination and solution. The Committee had not undertaken to find a solution to the problem. It offered a simple contribution in the direction of a solution.

M. Silvain DREYFUS proposed the phrase “in order to facilitate the solution”, *which was accepted.*

The CHAIRMAN invited the Committee to give its opinion on the expression “European economic life”.

The SECRETARY-GENERAL of the Committee considered that it would be possible to reply to the various objections which had been raised by leaving the words “European economic life”, and introducing a new paragraph expressing the Committee’s interest in the study of similar conditions in other parts of the world.

The balance between Europe and other continents in the Committee’s work would thus be maintained.

M. DE VASCONCELLOS insisted that from the point of view of the League of Nations it was important to avoid limiting the field of study to Europe. The suggestion made by the Secretary-General of the Committee appeared to him to be acceptable.

M. HÖRNELL pointed out that Sir John Baldwin’s proposal would give him satisfaction, for the report of the Special Committee could not be considered complete before the possibilities of progress and economy by means of the concentration of traffic on one railway line instead of two had been considered.

He added that in America the employment of very large wagons, which made possible the loading of 17,000 tons on a single train, had considerably lowered the cost of transport. Enquiries in that direction would be of interest. The report had been drawn up as a result of enquiries made in a small section of Europe, and it was difficult to base general considerations on such limited enquiries.

Sir John BALDWIN regretted that no account had been taken of the proposal which he had made on the previous day. He would support the proposal of the Secretary-General of the Committee, for he considered that it filled up a gap. If the expression “European economic life” were maintained, it would be necessary to make it clear that the Committee hoped that the problem would be considered in relation to other continents.

M. SEELIGER withdrew his proposal.

#### *Second Paragraph.*

M. Silvain DREYFUS asked for an explanation of the expression “forms of national economic life”. He wished to know whether it referred to the protection of seaports. He proposed to replace the word “forms” by “organs” or “instruments”.



M. DJOURITCHITCH proposed the words "elements", "branches", or "aspects".

The SECRETARY-GENERAL of the Committee observed that it had been endeavoured to include all the manifestations of national economic life.

The CHAIRMAN, after a short exchange of views, noted the agreement of the Committee on the expression "elements of national economic life".

M. SCHLINGEMANN considered that the paragraph was not clear. It did not show clearly whether the use of national means of transport for the protection of certain elements of national economic life was desirable or not. He added that the Committee had not dealt with the desirability of examining the problem but had confined itself to deciding that the problem was rather within the competence of the Economic Committee.

The SECRETARY-GENERAL of the Committee agreed with M. Schlingemann and explained that the paragraph of the draft resolution was simply intended to show that the Committee had not considered it desirable, in view of the problem submitted to it, to examine the question of the use of the national means of transport for the protection of certain elements of national economic life.

M. DE RUELLE would have preferred to maintain the word "*opportun*". The Committee could reserve the right to do later what it did not at present consider desirable.

Sir JOHN BALDWIN agreed with M. Schlingemann, that an allusion to the effect on international economic life of protectionism exercised by means of national transport should be introduced.

The SECRETARY-GENERAL of the Committee considered that the question was worthy of consideration. He added that it would be preferable not to suggest that the question was considered as still open. The Transit Committee had, as a matter of fact, already dealt with it.

The CHAIRMAN considered that paragraph 2 could be accepted provisionally.

#### *Third Paragraph.*

M. SEELIGER proposed that the last part of this paragraph should be drafted as follows : "The general and normal lines of tariff policy".

M. Silvain DREYFUS asked that it should be made clear that it was a question of transport undertakings.

M. SEELIGER also thought it advisable to explain that it was desired to consider, on the one hand, the public and, on the other, transporters.

M. DJOURITCHITCH wished for an explanation of the expression "tariff policy", which he considered too vague. He would have liked some indication that it was a question both of national and of international policy.

After an exchange of views, *the Committee adopted the third paragraph in the following form, in order to confine itself to a simple statement, while reserving the possibility of future action :*

"Notes that, apart from this question and simply from the standpoint of the legitimate interests of all the users of the means of communication on the one hand and of transporters employing railways and waterways on the other, the general conclusions of the report are such as to form a useful indication of the general and normal lines of tariff policy."

#### *Fourth Paragraph.*

The SECRETARY-GENERAL of the Committee read the text proposed for the fourth paragraph, the bearing of which was as follows :

"Requests the Secretary-General to collect, so far as possible, all information on the manner in which the same problem or similar problems have been dealt with in continents other than Europe."

M. SEELIGER did not consider that that paragraph should appear in the draft resolution, seeing that the question referred to the Committee for examination was limited to the points raised by the Hines report.

Sir JOHN BALDWIN recalled that, when a question was examined, it often led to developments the study of which was considered interesting. The question of European communications seemed to lead to an extension of the enquiry, and to the collection of information concerning other continents, in particular, North and South America. It might be of interest to the Committee to pursue its task in that direction.

M. Silvain DREYFUS pointed out that all the members of the Committee were in agreement on the principle. It was a simple question of drafting, that was to say, of deciding whether the question should be attached to the problem of competition between railways and waterways or whether it should be the object of a special study. He supported the second alternative.

M. SINIGALIA drew attention to the necessity for providing for the competition of other means of transport, in addition to waterways and railways.

M. SEELIGER thought it preferable to confine attention to the question studied at the present session and, if necessary, to place the question of future developments on the agenda for the next session.

M. SINIGALIA recalled that on the previous day the Committee appeared to have decided to adopt two resolutions.

The CHAIRMAN proposed to leave the question in suspense and to invite the Secretary-General of the Committee to present a text at the next meeting.

M. POLITIS explained that the fact that the new text had been proposed in order to explain the use in the first paragraph of the expression "European economic life" should be borne in mind.

The SECRETARY-GENERAL of the Committee replied that it would be easy, even if it were decided to adopt the principle of a separate resolution, to maintain in the present text the words "European economic life".

The CHAIRMAN noted that the Committee agreed to invite the Secretary-General of the Committee to present a draft resolution which would be read at the next meeting.

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## EIGHTH MEETING

*Held on Saturday, March 15th, 1930, at 10 a.m.*

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### XXXIV. REPORT OF THE SPECIAL COMMITTEE ON QUESTIONS OF COMPETITION BETWEEN RAILWAYS AND WATERWAYS (*continued*) (Item 9 of the Agenda).

The SECRETARY-GENERAL of the Committee read the draft resolution which took into account the decisions taken at the previous meetings.

M. SEELIGER, who had been one of those who, at the previous meetings, had raised the principal objections, was the first to declare that he accepted the present resolution. At the same time, he accepted the last paragraph less willingly than the remainder of the resolution, for the reason he had already given; *i.e.*, he deplored the ever-increasing number of enquiries undertaken under the auspices of the League of Nations.

*The resolution was adopted by the Committee with several drafting alterations (see Annex 28, paragraphs XIX and XX).*

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ANNEX 23.

DRAFT RESOLUTION CONCERNING COMPETITION BETWEEN RAILWAYS AND WATERWAYS.

[C.C.T.451.]

The Committee,

Appreciating the thorough and impartial work of the Special Committee on Competition between Railways and Waterways, whose report may be taken as a basis for any subsequent studies that the Committee decides to undertake in this particular sphere, and already constitutes a most valuable contribution towards the study and solution of problems of the highest importance to European economic life ;

Considering it inexpedient to examine in connection with the single problem which forms the subject of the Committee's report, the question of the use of national means of transport for the protection of certain forms of national economic life ;

Notes, apart from this question and simply from the standpoint of the legitimate interests of all the users of the means of communication on the one hand, and of transporters employing the railways and waterways on the other, that the general conclusions of the report are such as to form a useful indication of the normal lines of tariff policy ; and

Decides to transmit to the Governments the report of the Special Committee, together with the present resolution and an extract from the Minutes of the Advisory and Technical Committee.

ANNEX 23.

RESOLUTIONS ADOPTED BY THE COMMITTEE AT ITS FOURTEENTH SESSION.

XIX. REPORT OF THE SPECIAL COMMITTEE ON COMPETITION BETWEEN RAILWAYS AND WATERWAYS (Item 9 of the Agenda).

The Committee compliments the special Committee on Competition between Railways and Waterways on its exhaustive and impartial report, which will serve as a basis for any subsequent surveys that the Transit Committee may decide to undertake on this subject, constitute an immediate and very important contribution to the study of problems closely affecting European economy and help in the solution of such problems.

It does not think it advisable to consider, in connection with the single problem dealt with in the Committee's report, the general question of the utilisation of national forms of transport for the protection of certain aspects of national economy.

Apart from this general question and looking at the matter solely from the standpoint of the legitimate interests both of private individuals and of rail and water transport undertakings, the main conclusions of the report bring out the principles on which tariff policy is normally based.

The Committee resolves to forward to the Governments the special Committee's report, together with this resolution and an extract from the Minutes of the Transit Committee.

XX. RELATIONS BETWEEN THE VARIOUS MEANS OF TRANSPORT IN CONTINENTS OTHER THAN EUROPE.

In execution of the recommendations of the Genoa Conference and in pursuance of Mr. Walker D. Hines' report, the Committee examined certain questions regarding competition between railways and waterways affecting the European economic system. The secretariat is instructed to collect information on the problems arising in continents other than Europe connected with co-operation and competition between various modes of transport, more particularly between railways and waterways, and on the manner in which these problems are dealt with.



