

'The Moselle Canal' from the Steel Review (October 1956)

Caption: In October 1956, the British journal Steel Review considers the implications of the canalisation of the Moselle and the advantages of such an undertaking for industry in the region and in neighbouring countries.

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The Moselle Canal

THE AGREEMENT ON the canalization of the Moselle, which was announced by the French and German governments on June 6th, may have an appreciable effect on the balance of competitive relationships of some of the most important industrial regions of Western Europe.

Earlier reports have indicated that the Moselle will be canalized from Thionville in the heart of the Lorraine steel region to Coblenz on the Rhine. The total length of the canal will be 168 miles, of which 18 miles will be in France, 24 miles in Luxembourg, and the remaining 126 miles in Germany. When completed, the canal will take barges with a carrying capacity of 1,500 tons. It will have thirteen locks and barrages, at ten of which – nine in Germany and one on the German-Luxembourg border – power stations will be built with an annual capacity of 750 kW. The project is estimated to cost £45 million, of which Germany will contribute £25 million (including £15 million for the hydro-electric plants), and it will be completed in seven to ten years.

On the technical aspects of the project, there have been few differences. On the financial aspects, however, the Franco-German committee of experts which reported in February 1956 revealed substantial disagreements. The agreement now reached in principle may thus still run into serious difficulties when the tripartite commission for which it provides begins to work.

The canalization of the Moselle is a project with a long history. Once the announcement of the Gilchrist Thomas dephosphorization process in 1879 had removed the bar to the use of Lorraine's high-phosphorus minette ores for steel-making, several projects for a water-link between Ruhr coal and Lorraine ore were put forward in the early 1880's. But the initial support from the Ruhr steel-makers was soon withdrawn, partly because they began to turn away from the Bessemer process (for which the Lorraine ores were best suited) to the open-hearth process as German scrap arisings increased, and partly because they came to prefer the much richer Swedish ores to the leaner minettes.

While Ruhr interest in Lorraine ores declined, however, the expanding Lorraine steel industry was becoming increasingly dependent on Ruhr coal. From the late 'eighties onwards, the pressure for the canal came from Lorraine rather than the Ruhr. Indeed, with Lorraine becoming a commercial threat, Ruhr apathy soon turned into straightforward opposition and no progress was made with the canal project up to 1914.

After Lorraine's return to France in 1918, political tensions reinforced economic opposition and the project languished throughout the interwar years. With the emergence of the Schuman Plan, however, French hopes revived, and early negotiations '*pour aboutir à une réalisation rapide de la canalisation de la Moselle entre Thionville et Coblenz*' formed one of the conditions which the French Parliament wrote into the legislation ratifying the ECSC Treaty in 1952. In the event however, the creation of the community had little effect. The problem remained one for direct Franco-German negotiation and a solution was finally reached only as part of a 'package deal' in which German agreement to the canal was the counterpart of the French withdrawal from the Saar.

The main beneficiary of the Moselle canal will be the Lorraine steel industry. Lorraine is not well sited in relation either to some of her sources of supply or to her main potential markets. Much of her coking coal has to be imported from the Ruhr some 240 miles away, while the nearest North Sea port is 190 miles distant. Moreover, these locational disadvantages are not offset by access to cheap transport. Lorraine has no easy access to Europe's network of waterways and has to rely largely on expensive rail transport.

Against this background, the Moselle canal offers great gains. It would provide a direct water link with the Rhine at Coblenz, and from there to the Ruhr and the main Dutch and Belgian ports. The table on page 17 shows French estimates of the cost savings which may result: in all, it is suggested that Lorraine industry will save some £5 million a year in transport costs.

These gains will be all the more important if Lorraine continues to expand. The French experts have estimated that a Franco-Saarois steel production of 16.7 million metric tons in 1960 would generate a traffic

of some 10 million metric tons on the canal, including 1.6 million tons of coking coal, 2.5 million tons of coke and 0.9 million tons of ore moving up to Lorraine, and 2.3 million tons of steel products, 1.0 million tons of iron ore and 1.7 million tons of other Lorraine products moving out to the Ruhr or the North Sea ports.

In addition to Lorraine, the canal will also bring some advantages to certain Saar and Luxembourg steel-works, to Rhine, Antwerp and Rotterdam shipping interests, and to the Moselle-Coblence area of Germany, which will gain a new cheap electricity supply.

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On the other side of the balance sheet, some transport interests will suffer direct losses. The main burden will fall on the German and French railways, which have been highly critical of the canal project. The Bundesbahn, which has argued strongly for its alternative plan to double the capacity of the Coblence-Thionville line by electrification at a cost of only £2 million, expects to lose nearly £8 million a year, while the SNCF stands to lose the profitable overland traffic to the North Sea ports. Shipping interests will also suffer; any gains made by Antwerp, Rotterdam and Coblence will be at the expense of Dunkirk and Strasbourg. The other potential losers include the Saar and the Lorraine coal mines, which may suffer from the greater competition from cheaper Ruhr coals.

The main criticism has come, however, from interests which will suffer relative, rather than absolute, losses. The Saar, Luxembourg and Belgian steel industries have all complained along these lines that the canal, by giving disproportionate advantages to Lorraine, involves relative competitive disadvantages for surrounding steel producers. The main criticism of this sort has come, however, from the Ruhr. German steel-makers have advanced some telling detailed criticisms of the canal project, in particular that the proposed State financing involves the possibility of hidden subsidies of the sort forbidden by the ECSC Treaty. But behind and beyond all these points is the realization that the canal represents a blow at one of the Ruhr's fundamental advantages vis-à-vis Lorraine – its cheap and easy access to raw materials and markets. There might, it is agreed, be some gain to the Ruhr from cheaper access to Lorraine ores, since the transport cost Angevillers-Gelsenkirchen per metric ton of ore may be cut by a third from 18s. to 12s. a ton; but this gain is discounted by Ruhr steel-makers who do not expect to increase their use of Lorraine ores.

The political decision has now been taken and preparatory work on the canal is likely to begin within the next year. But the economic controversy may long continue. The 'economic problem' is always the problem of choice. That investment in the canal project will reduce the delivered cost of Lorraine steel is beyond doubt. The crucial question, however, is whether investment at this point will provide greater benefits for the European economy than investment elsewhere, say in an expansion of blast furnace capacity in the Ruhr designed to reduce the Community's dependence on heavy imports of US scrap. In this connection, it is pertinent to recall that the creation of the European Coal and Steel Community was intended to ensure that vital investment decisions such as this would be insulated from the pull of national interests.