

ECONOMIC RESEARCH CENTRE

ROAD FREIGHT TRANSPORT FOR OWN ACCOUNT IN EUROPE

ROUND
TABLE

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EUROPEAN CONFERENCE OF MINISTERS OF TRANSPORT

ECONOMIC RESEARCH CENTRE

REPORT OF THE
HUNDRED AND FIFTH ROUND TABLE
ON TRANSPORT ECONOMICS

held in Paris on 4th-5th November 1999
on the following topic:

ROAD FREIGHT TRANSPORT FOR OWN ACCOUNT IN EUROPE

EUROPEAN CONFERENCE OF MINISTERS OF TRANSPORT

EUROPEAN CONFERENCE OF MINISTERS OF TRANSPORT (ECMT)

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OWN ACCOUNT TRANSPORT OF GOODS BY ROAD IN THE EUROPEAN UNION

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Brussels, May 1999

1. INTRODUCTION

1.1. Own-account transport, a little-known road user category

Own-account transport is transport operated by manufacturing industry, agriculture, trade and service industry, as an ancillary part of their business, for moving goods that relate to their main activity.

Own-account vehicles are the second category of vehicles on the road. Private cars are by far the most important group of road users. Own-account vehicles outnumber all other categories of motor vehicles, however, including the goods vehicles operated in road transport for hire or reward.

Nevertheless, own-account transport is relatively unknown. It is not uncommon for laymen to confuse own-account operators and owner-drivers. In addition, transport legislation in an important number of European countries does not explicitly deal with this category of goods transport. In such legislation, rules are given for road haulage for hire or reward only. Other goods transport operations are not subject to any specific legislative provisions, even though the vehicle (e.g. maximum length, road worthiness test) and the driver (e.g. driving and rest times) generally are.

In other European countries, however, and in EU legislation, there are specific conditions to own-account carriage of goods. These conditions originate from the time when the road haulage markets were strictly regulated.

1.2. Purpose of this report

This report questions the need for such restrictive conditions. They have been relaxed or even abolished in a number of countries, without a negative effect on the road transport industry. Less restrictive conditions enable own-account carriers to organise transport more efficiently. Fewer vehicles and fewer journeys not only reduce the cost of own-account transport and hence the cost of the final product: it also implies less road use and fewer emissions, thus reducing congestion and negative external costs.

Clearly, changes in the legal provisions concerning own-account transport cannot render legislation concerning road haulage for hire or reward inoperative. Particular attention must be paid to the situation in central and eastern European countries, not only because quota systems still exist for international transport. In domestic transport also, structures for the organisation of road haulage which were established as part of planned economies have partly determined the way in which road haulage services develop at present, and need to be taken into account when considering how road transport legislation can best serve the interests of society at large and of road transport.

The report is based on recent inquiries made by the IRU into the legal and economic aspects of own-account transport. For the EU, a study was made on the basis of a large sample (749 companies in all fifteen EU Member States) of own-account transport operators who answered a questionnaire. For central and eastern Europe, information concerning the legal systems and the economic importance was received from the national transport associations, members of the IRU.

1.3. Issues addressed in the report

The report concentrates on the western European conditions regarding own-account transport. Processes underway in central and eastern Europe (preparation for EU membership, completing the changeover to a market economy) are the main reason for this.

In the next chapter, characteristics of own-account transport and its role in the economy will be described. In the period 1985-95, this role has diminished. The “liberalisation” of road transport for hire or reward has enabled road transport service providers to better meet the requirements of shippers and at lower costs.

Industry has reacted to this more adequate offer by outsourcing transport activities, a development which is still ongoing.

In spite of this, for certain road transport activities, manufacturing and service industries prefer, or cannot escape from, operating their own vehicles. The “fields of action” of own-account transport will be analysed on the basis of road transport statistics and of information obtained from own-account transport companies.

As a next step, an inventory of existing legal provisions will be made. In western Europe, legal conditions relating to own-account transport have hardly changed over the last 20 years, even though road transport markets have been deregulated in that period. In central and eastern Europe, there have been important changes. In many countries, own-account transport operators are subject to conditions and criteria similar to those applicable to third-party hauliers, however.

The existing conditions with regard to the vehicle and to the driver will be analysed in more detail. Furthermore, the issue of own-account transport in the framework of an economic entity (*Konzernverkehr*) will be addressed. More efficient and more sustainable own-account transport would result from less restrictive conditions in these respects. Due respect needs to be paid, however, to safeguarding the proper functioning of the road transport markets and of the related legislative provisions. Additional qualitative criteria may, therefore, be required.

2. THE FIELD OF ACTION OF OWN-ACCOUNT ROAD FREIGHT TRANSPORT

2.1. Own-account transport, total volumes and development 1985-1995

2.1.1. At EU level

The main role of own-account transport consists in moving goods when companies perceive transport to be an integral part of their business and/or when the characteristics of a transport operation

make it difficult for professional transport service providers to bring the advantages of road haulage for hire or reward (less empty mileage, economies of scale, etc., and related lower transport costs) into play.

A specific marketing mix, special transport requirements, the need for special skills and short transport distances and reducing the scope for finding return loads, all constitute such characteristics. The volume of the tonnage moved on own-account makes up a considerable share of total road haulage in the EU (44 per cent in domestic transport, 42 per cent in all road transport). The own-account share in total tonne-kilometres is only some 25 per cent. This lower share reflects the importance of distance with regard to the choice between own-account transport and road haulage for hire or reward. Short distances also explain the fact that own-account carriage is predominantly domestic transport.

The total volume of domestic road transport in the EU was almost 10.2 billion tonnes in 1995, which is 30 per cent more than in 1985. Out of this total tonnage, 4.45 billion tonnes were moved by own-account transport, corresponding to a 12 per cent increase in the period 1985-1995. Road haulage for hire or reward grew from 3.8 billion tonnes in 1985 to 5.7 billion tonnes in 1995 (+50 per cent).

The increases shown in the next table are, to an important extent, attributable to the accession of new Member States and the reunification of Germany. When comparing ten Member States (EC 12 without Germany and Ireland), total domestic road transport appears to have increased by 9 per cent only and tonnage carried on own account by 0.8 per cent.

Table 1. Road transport of goods in the EU by type of carriage, in tonnes and tonne-kilometres

	1985 ¹		1995 ²		Per cent variation 1985-1995			
	million tonnes	billion t-km	Million Tonnes	billion t-km	EUR 15		EUR ³	
					tonnes	t-km	tonnes	t-km
<i>Domestic transport</i>	3.845	255	5.720	597	+48.5%	+134.1%	+17.0%	+40.0%
- Hire or reward	3.982	170	4.413	223	+11.8%	+31.2%	+0.8%	+6.2%
- Own account	7.827	425	10.139	820	+29.8%	+92.9%	+9.3%	+29.8%
Total								
<i>International transport³</i>	146	67.4	n.a.	161.9	-	-	n.a.	+140.2%
- Hire or reward	31	9.1	n.a.	9.4	-	-	n.a.	+3.3%
- Own account	177	76.5	n.a.	171.3	-	-	n.a.	+123.9%
Total								

(1) 1986 for Italy, Spain (1986 data) and Portugal (1987 data) included.
(2) 1993 for Austria, Germany and Ireland: estimates.
(3) Austria, Finland, Germany, Ireland and Sweden not included.

According to the information published for some European States (e.g. BAG, Germany), the strong increase in road haulage for hire or reward and the stagnation of own-account transport has continued since 1995.

2.1.2. In other European countries

In view of the changes in the economic structures, no meaningful comparison can be made over a longer period of time. Estimations made by national road transport organisations in central and eastern Europe of the share of own-account carriage in total road transport show figures as divergent as those found for the individual EU Member States (see next section).

This is confirmed by Eurostat data for 1997 (*Statistics in Focus*, Theme 7-1/1999), according to which, in the PHARE region, the own-account share in tonne-kilometres varies between 18 per cent (in Estonia) and 57 per cent (in Romania). As in the EU, the own-account share is low in international transport (8 per cent of tonne-kms) and much higher (44 per cent) in domestic traffic. CEE countries thus rely more on own-account transport than EU countries.

The Eurostat publication confirms, with regard to NST chapters, that in PHARE countries the composition of total road transport is also similar to that in the EU. NST Chapter 6 (building materials) represents by far the largest category, followed by final products (NST 9), foodstuffs (NST 1) and agricultural products (NST 0).

The role of own-account transport is also found to be largest in short-distance traffic (less than 50 kms) where it exceeds road haulage for hire or reward. The reverse is seen in road transport operations over more than 150 kms.

These first Eurostat statistics on road transport in the PHARE countries depict a situation which is quite similar to the one in western Europe. The only main difference is the large share of international traffic in total road transport (46 per cent of total tonne-kms, compared to 18 per cent for the EU Member States). This may relate to weaker national economies in the PHARE region. It could also follow from under-reporting of domestic transport in at least a number of the countries concerned.

2.1.3. Varying shares in EU countries

The shares in tonnage vary considerably from one Member State to another. Whereas many smaller countries show higher shares for own-account carriage (Austria, Luxembourg, Portugal), high shares for hire or reward transport are observed in the Scandinavian countries.

In virtually all EU Member States, the share of own-account transport diminished in the period 1985-1995. An increase in Italy was caused by a huge increase in the transportation of building materials and minerals (NST, Chapter 6), which is a group of goods with a strong own-account share. For all other commodities together, the own-account share in Italy has decreased from 38.4 per cent to 31.5 per cent, quite in line with developments elsewhere.

In terms of tonne-kilometres, own-account transport shares appear to be lower than those of tonnes transported, except for Austria. The importance of distance as a factor explaining the relative advantages of transport service providers is confirmed by the differences per country in the shares of tonnes and tonne-kilometres: large geographical national territories show a bigger gap between these shares than smaller countries.

The own-account share in total domestic tonne-kilometres in the EU dropped from 40 per cent in 1985 to 26 per cent in 1995 and from 40 per cent to 28 per cent in a group of ten countries for which figures are available for both years.

Table 2
Domestic road transport of goods in the EU
million tonnes

	1985			1995		
	Total domestic road transport	Own account transport	Own account transport % *	Total domestic road transport	Own account transport	Own account transport % *
Germany	2 213.7	1 293.5	58.4	3 150.0	1,510.0	47.9
France	1 197.9	789.1	65.9	1 324.1	694.7	52.5
Italy (1986)	841.0	351.6	41.8	1 080.1	527.1	48.8
Netherlands	338.7	128.5	37.9	391.8	108.2	27.6
Belgium	265.4	150.7	58.8	349.2	149.4	42.8
Luxemburg	11.1	10.2	91.9	28.4	22.7	79.9
United Kingdom	1 407.0	646.0	45.9	1 658.4	649.9	39.2
Ireland (1993)	89.7	67.5	75.2	80.6	40.1	49.8
Denmark	199.9	65.0	32.5	176.0	47.0	29.7
Greece	158.4	79.5	50.2	179.3	81.3	45.3
Spain (1986)	913.3	244.6	26.8	588.2	145.1	24.7
Portugal (1987)	190.6	155.6	81.6	263.2	217.0	82.4
Austria (1993)	-	-	-	177.7	98.2	55.3
Finland	-	-	-	349.1	70.5	20.2
Sweden	-	-	-	343.2	52.1	15.2
EU	7 826.7	3 981.8	50.9	10 139.3	4 413.3	43.5

* In these columns, column 2 as per cent of 1; column 4 as per cent of 3.

2.2. Own-account shares per group of commodities

The tables below contain totals for ten EU countries (EU except Austria, Finland, Germany, Ireland, Sweden) for which 1985 and 1995 data were available.

Trends observed in these countries and the consistency found in own-account shares per group of goods make it possible to evaluate the role of own-account carriage for the transportation of categories of commodities. Certain groups of goods are more often carried on own account than others. This points at categories of goods which have specific transport or service requirements, which road hauliers for hire or reward cannot always meet in a more efficient manner.

Table 3a. Domestic road transport of goods in ten EU Member States, 1985¹

Group of goods	Road transport (tonnes)	Own-account transport (tonnes)	% of tonnage per group of goods	Average distance: own account	Average distance: hire or reward
NST 0	572 161	244.513	42.7	65 km	120 km
NST 1	760 949	433 319	56.9	71 km	150 km
NST 2	117 950	26 102	22.1	32 km	66 km
NST 3	310 486	183 525	59.1	52 km	95 km
NST 4	77 412	34 348	44.4	38 km	99 km
NST 5	183 552	49 669	27.1	72 km	173 km
NST 6	2 124 688	1 118 207	52.6	25 km	49 km
NST 7	115 669	59 570	51.5	34 km	123 km
NST 8	229 206	70 909	30.9	77 km	156 km
NST 9	1 009 513	400 700	39.7	64 km	136 km
TOTAL	5 501 586	2 620 862	47.6	47 km	102 km

(1) Italy and Spain, 1986; Portugal, 1987.

Table 3b. Domestic road transport of goods in ten EU Member States, 1995

Group of goods	Road transport (tonnes)	Own-account transport (tonnes)	% of tonnage per group of goods	Average distance: own account	Average distance: hire or reward
NST 0	550 762	214 730	39.0	83 km	150 km
NST 1	798 403	350 763	43.9	87 km	170 km
NST 2	57 456	10 256	17.9	40 km	85 km
NST 3	281 643	127 860	45.4	67 km	106 km
NST 4	97 169	53 210	54.8	51 km	139 km
NST 5	191 480	40 979	21.4	93 km	183 km
NST 6	2 580 116	1 313 785	50.9	29 km	58 km
NST 7	86 003	37 098	43.1	50 km	136 km
NST 8	235 417	66 052	28.1	76 km	178 km
NST 9	1 152 579	417 407	36.2	61 km	166 km
TOTAL	6 031 028	2 632 140	43.6	51 km	118 km

Table 3c. **Domestic road transport of goods in ten EU Member States**
-- Developments 1985-1995

Group of goods	Road transport (%)	Own-account transport (%)	Average distance: in km own-account transport		Average distance: in km hire or reward transport	
			1985	1995	1985	1995
NST 0	-3.7	-12.2	65	83	120	150
NST 1	+4.9	-19.1	71	87	150	170
NST 2	-51.3	-60.7	32	40	66	85
NST 3	-9.3	-30.3	52	67	95	106
NST 4	+25.5	+54.9	38	51	99	139
NST 5	+4.3	-17.5	72	93	173	183
NST 6	+21.4	+17.5	25	29	49	58
NST 7	-25.6	-37.7	34	50	123	136
NST 8	+2.7	-6.8	77	76	156	178
NST 9	+14.2	+4.2	64	61	136	166
TOTAL	+9.6	+0.4	47	51	102	118

2.3. An inquiry into some 750 own-account transport operators

There are two categories of own-account transport. On the one hand, there are craftsmen, small manufacturers and trading companies which operate one or two vehicles, mostly vans or light vehicles which serve local markets (plumbers, small independent retail outlets, etc.). On the other hand, there are companies which generate important transport volumes and which serve regional, national or international markets.

The inquiry was aimed at collecting information about the second category, which is the more relevant one at EU level and when considering optimal legal conditions for efficient own-account carriage.

Companies in the inquiry have their main activities in agriculture, mining, manufacturing, trade or other non-transport services. Public services and administrations may have important vehicle fleets, and some of them answered the questionnaire. Multiple entries were possible (Table 4).

Table 4. **Activity sectors**

Sector	Fifteen countries		
	Abs.	Per cent entries	Per cent companies
Agriculture	107	12	14
Manufacturing	324	36	43
Trade	265	29	35
Other services	36	4	5
Others	169	19	23
No data	2	0	0
Total no. of entries	903	100	-
Total no. of companies	749	-	100

Manufacturing industry and trade are the most frequent main activities of the companies in the sample. The many entries under “others” relate, to a large extent, to the construction sector and are partly due to different interpretations. For instance, forestry and horticulture were included in “agriculture” in one country and under “others” in another.

2.3.1. *Types of goods carried*

Companies were asked to indicate the type of goods they carry, using the 10 NST chapters. Multiple entries were possible. Results are given in the table below, where a comparison is made with the column entitled “Statistics” which gives the shares of the NST chapters in Eurostat statistics for 1995 (ref. section 2.2. above). The spread over the NST chapters is much the same.

Table 5. **Types of goods carried**

Groups of goods		Questionnaire 15 countries			Statistics	
		Abs.	Per cent comp.	Per cent entries	Tonnes (%)	T-km (%)
0	Agriculture products	114	17	13	8	14
1	Foodstuffs, animal fodder	242	36	28	13	21
2	Solid mineral fuels	9	1	1	0	1
3	Petroleum products	38	6	4	5	6
4	Ores, iron, steel	21	3	2	2	2
5	Metal products	33	5	4	2	6
6	Construction materials	78	12	9	50	23
7	Fertilisers	21	3	2	1	1
8	Chemical products	55	8	6	3	6
9	Manufactured articles	246	36	29	16	22
Total no. of entries		857	-	100	100	100

2.3.2. *The role of own-account transport in the company*

More than 80 per cent of the companies used road transportation for all or nearly all of their inland transport (Table 6). The larger the transport volume generated by a company, the more often it uses rail and inland waterways equally. However, more than 60 per cent of the large companies in the samples relies on road transport for all or nearly all of their inland transport.

Table 6. **Annual tonnage carried by road compared to total land transport**

	Fifteen countries	
	Abs.	Per cent
1–30%	29	4
31–60%	25	3
61–70%	8	1
71–80%	18	2
81–90%	36	5
91–100%	610	81
No data	23	3
Total no. of companies	749	100

For the individual NST chapters (Table 7), the differences observed reflect the characteristics of the goods and their trading patterns. Other modes of transport are used more often for the transportation of goods in NST Chapters 2, 3, 4, 5 and 7 (raw materials, fertilisers). The questionnaire results correspond to general statistical data in this respect.

Table 7. Annual tonnage carried by road compared to total land transport

	Fifteen countries			
	NST Chapters 2, 3, 4, 5, 7		NST Chapters 0, 1, 6, 8, 9	
	Abs.	Per cent	Abs.	Per cent
1–30%	14	13	15	2
31–60%	13	13	12	2
61–90%	9	9	54	8
91–100%	68	65	556	87
Total no. of companies	104	100	637	100
No data	7		16	

Own-account transport represents 91-100 per cent of total road transport for 34 per cent of the companies and 44 per cent of the companies use their own fleets for more than 80 per cent of goods movements. For this important part of the companies, better legal possibilities to increase efficiency work out neutrally as regards the demand for third-party road haulage (Table 8).

Table 8. Annual tonnage carried on own account compared to total road transport

	Fifteen countries	
	Abs.	Per cent
1–10%	55	7
11–20%	37	5
21–30%	26	3
31-40%	46	6
41-50%	54	7
51-60%	45	6
61-70%	61	8
71-80%	76	10
81-90%	74	10
91-100%	251	34
No data	24	3
Total no. of companies	749	100

2.3.3. Average transport distances

Companies in the sample were asked to indicate the average distance of journeys in own-account transport and of journeys for which they engage third-party hauliers.

Even though average distance is much higher than was found in road transport statistics, Table 9 clearly demonstrates the importance of distance for decisions concerning the type of road transport, own-account carriage or road haulage for hire or reward.

Table 9. **Distribution of companies per distance class**

	15 countries	
	Own account (%)	Hire or reward (%)
1–49 km	14	6
50–99 km	20	10
100–249 km	38	26
250–499 km	23	37
500+ km	5	22
Total	100	100

2.3.4. *Vehicle fleets*

Vehicle fleet sizes are given in Table 10. Twenty-nine per cent of companies have from one to five vehicles in use and 56 per cent of the companies use up to 15 vehicles. Some two-thirds of these are heavy vehicles with a gross vehicle weight of 12 tonnes or more and 85 per cent of the companies use such heavy vehicles.

Table 10. **Vehicle fleet sizes**

Fleet size	Total number of vehicles in use		Vehicles of 12 tonnes gvw and more, 15 countries	
	abs.	%	abs.	%¹
1–5	219	29	238	32
6–10	125	17	110	15
11–15	75	10	74	10
16–20	45	6	38	5
21–30	54	7	45	6
31–50	57	8	40	5
51–100	54	7	36	5
101–200	47	6	27	4
200+	45	6	28	4
Unknown	1	0	1	0
No data	27	4	25	3
No. of companies	749	100	662	88
No. of vehicles	42 747	100	28 042	66
Average fleet size	57	-	42	-

1) Percentage figures relate to the total sample.

With regard to fleet size, the own-account transport companies which generate important transport volumes are comparable to road haulage companies. The scope for increasing efficiency in own-account carriage through better use of fleets is, therefore, likely to be comparable to improvements possible in road transport for hire and reward.

3. LEGAL CONDITIONS FOR OWN-ACCOUNT TRANSPORT

3.1. Summary of national legal systems

National legal conditions can be summarised by comparing them to the five conditions laid down in Annex II.4 to EU Regulation 881/92 and quoted in Chapter 5 of this report.

a) *In the EU*

Table 11. Differences between national laws and EU legislation

Country	Condition no.	Difference
Austria		None (definition corresponds to Annex II.4 to Reg. 881/92)
Belgium	III	No positive definition of own account No obligation that driver must be an employee of the undertaking
Denmark	II	No restriction on the purpose of the journey
Finland		No concept of own-account transport
France	III IV	No obligation that driver must be an employee of the undertaking Vehicles can be hired with a driver
Germany		None (definition corresponds to Annex II.4 to Reg. 881/92)
Greece	IV	Hiring of vehicles without a driver not allowed in domestic transport (derogation provided for in art. 3, par. 2 of Directive 84/647/EEC, amended)
Ireland		Definition does not meet Reg. 881/92
Italy	II	No restriction on the purpose of the journey
Luxembourg	II III IV	No restriction on the purpose of the journey No obligation that driver must be an employee of the undertaking Hiring of vehicles without driver not allowed in domestic transport (derogation provided for in art. 3, par. 2 of Directive 84/647/EEC, amended)
Netherlands	I, II III, IV	Transport on behalf of different companies belonging to the same economic entity is allowed Vehicles and drivers may be hired from other companies
Portugal	II III	No restriction on the purpose of the journey No obligation that driver must be an employee of the undertaking
Spain		None (definition corresponds to Annex II.4 to Reg. 881/92)
Sweden		No definition of own-account transport
UK	I, II III	Transport on behalf of different companies belonging to the same economic entity is allowed Company must control driver activities and employ the driver even though the latter is not necessarily a permanent employee

b) *In central and eastern Europe*

Table 12. National laws in CEECs, compared to EU legislation

Condition	Applicant countries			Other CEE/ECMT Members			No answer ¹
	Yes	Partly	No	Yes	Partly	No	
Goods carried	RO, H, SLO	SK, PL, CZ, LIT, BG		BIH, HR, GEO	MK	BY	LAT, MD, RUS, EST
Purpose of journey	H, SLO, BG	SK, PL, CZ, RO	LIT	BY, BIH,	MK, GEO		MD, RUS, HR, EST, LV
Driver employees	LAT, BG, SLO	RO	CZ, PL, SK, H	BY, BIH; GEO	MK, HR		LIT, EST, MD, RUS,
Ownership of vehicle	SK, LAT, H, SLO	RO, BG	PL, CZ	BY, BIH, GEO	MK, HR		EST, LIT, MD, RUS
Carriage ancillary	PL, LAT, RO, H, SLO	SK, CZ	BG	BIH, HR, GEO	MK	BY	LIT, EST, RUS, MD

1) Most probably no specific requirements.

3.2. Summary of national administrative systems

Compliance with legal conditions is being enforced in three different ways:

- Licensing systems are found in two EU countries and in seven countries in central and eastern Europe;
- Notification/registration systems exist in seven other EU countries and in six CEE countries;
- No administrative obligations have been reported for six EU countries and for five CEE countries. In these countries, inspectors may check vehicles on journeys and require evidence that it is own-account transport.

The main characteristics of the administrative systems are given in the next two tables.

a) *In the EU*

Table 13. **National administrative systems**

Country	Administrative system	Threshold
Austria	Each vehicle used for OAT must be specified separately. Proof of registration is the <i>Werkverkehrskarte</i> (OAT card)	None
Belgium	No administrative requirements. The own-account carriers must prove, upon request, that the goods carried are their property or form part of their industry, trade or business	N/A
Denmark	Vehicles used for own-account carriage must be specified and receive special plates	6 t GVW
Finland	(No definition of OAT)	N/A
France	No administrative requirements. The own-account carriers must prove, upon request, that the goods carried are their property or form part of their industry, trade or business	7.5 t GVW
Germany	Vehicles used in national long-distance OAT must be specified	4.0 t payload
Greece	Vehicles used in OAT must be specified	4.0 t GVW
Ireland	No administrative requirements. The own-account carriers must prove, upon request, that the goods carried are their property or form part of their industry, trade or business	6.0 t GVW
Italy	Vehicles used in OAT must be specified and must be provided with a special plate	6.0 t GVW
Luxembourg	(No definition of OAT)	N/A
Netherlands	Companies carrying goods in OAT must register; companies belonging to an economic entity must be notified	500 kgs load capacity
Portugal	No administrative requirements. The own-account carriers must prove, upon request, that the goods carried are their property or form part of their industry, trade or business	N/A
Spain	OAT operations require a licence; vehicles must be provided with a special plate	?
Sweden	(No definition of OAT)	N/A
UK	GB: Operator's licence required; vehicles must be specified Northern Ireland: no administrative requirements	3.5 t GVW

b) *In central and eastern Europe*

Table 14. **Administrative requirements applied to own-account transport in CEECs**

Condition	Applicant countries			Other ECMT Members from CEE			
	Yes	Partly	No	Yes	Partly	No	N/A ¹
Licence compulsory	BG, EST, SLO, LAT	RO ²	SK, PL, CZ, LIT, H	MD	RUS ³	MK, BY, BIH, HR, GEO	
OAT vehicle registration	PL ⁴ , BG ⁵ , EST ⁶ , H ⁷ , SLO ⁸ , LAT		SK, CZ, LIT, RO	MD, RUS ⁹ , BIH ¹⁰ , HR ¹¹ , GEO ¹²		BY, MK	
Special plate for OAT vehicles	SLO		SK, PL, CZ, BG, LIT, EST, RO, H, LAT	HR		MD, MK, BY, RUS, BIH, GEO	
Admission to the occupation ¹³	RO, SLO, EST	BG (pc)	SK, PL, CZ, LAT, H	MD, MK, GEO	BY(pc), BIH(pc)	RUS, HR	LIT
Initial vocational training	CZ, BG, LIT, EST, RO, H, SLO, LAT		SLO, PL	MD, BY, RUS, BIH, HR, GEO,		MK	

1. Most probably no requirement at all.
2. Only for international transport.
3. For national OAT – “restricted licence”, for international transport “standard international licence”, the same for OAT and road haulage.
4. With Ministry of Transport.
5. With police.
6. Like all other vehicles.
7. General Transport Inspectorate.
8. In every lorry!
9. The same as for OAT and road haulage.
10. A name and title of the person to Whom it belongs.
11. Ministry of Interior.
12. Road traffic police.
13. 3 quality criteria of financial standing (fs), professional competence (pc) and good repute (gr).

It is noteworthy that, in some countries in central and eastern Europe, rules on access are the same for road haulage firms and for own-account carriers, and/or apply to international transport only. This could mean that the basic western European concept with regard to own-account transport has not been followed.

3.3. Specific provisions relating to international transport

a) In the EU

EU Regulation 881/92, in principle, applies to international own-account transport in the Union only. The effect of this regulation on domestic legislation can clearly be seen, however. Furthermore, one may doubt whether intracommunity own-account transport can be subject to specific restrictions.

Under the Treaty of Rome, the free movement of goods and freedom to provide services have been established. “Services”, in the meaning of this treaty, are normally provided for remuneration and include the activities not governed by the treaty provisions relating to freedom of movement for goods, capital and persons (ref. Article 50 of the Amsterdam Treaty, old Art. 60). Transport services are governed by the provisions in the treaty relating to transport (new Art. 50).

Own-account transport is *not* a transport service within the meaning of the Treaty, as it is not “normally provided for remuneration”. It is an ancillary part of an activity of an industrial or commercial character, which can freely be provided. On the basis of Title III, Chapter 3 of the Treaty of Rome, therefore, there should be no EU restrictions to own-account transport.

The Treaty is not consistent, however. The “Transport” title, in its Art. 75 (old), calls for “common rules applicable to international transport...”, instead of limiting the scope of the common rules to transport *services*.

The enlargement of the EU and the progressive introduction of the EU main concepts regarding the organisation of the (road) transport markets in national transport legislation in central and eastern European countries which are members of the ECMT, call for closer consideration of the divergence between two approaches at the ECMT level also.

Recognition that freedom to provide services includes the free operation of goods vehicles as an ancillary activity, would lead, in practice, to international own-account transport being allowed if the national legal conditions in the country of establishment of the operator are met. It would enable own-account carriers to organise domestic and international transport operations in the same manner, regardless of national restrictions in other countries concerning, for instance, the use of hired vehicles or the conditions of employment of the driver.

Freedom to provide services, including transport operations as an ancillary part thereof, also implies that there shall be no quantitative restrictions to international own-account transport. Indeed, at EU level, such restrictions have been abolished.

b) In central and eastern Europe

Even though quota restrictions concerning own-account transport have been removed from many bilateral agreements, some CEE countries maintain them thus far. In these countries, own-account transport is often regulated in much the same way as road haulage for hire or reward in many other respects also. International own-account transport is, even more often than domestic own-account

transport, subject to licensing quota and qualitative conditions. As was shown in Table 14, Romania and Russia are examples of countries that consider (international) own-account transport in the same way as transport for hire or reward.

4. RESTRICTIONS WHICH MIGHT BE RECONSIDERED

4.1. The vehicle and the driver

Road transport can be operated if there is a vehicle and a driver. There is a clear need for restrictive conditions concerning vehicle and driver if the road transport industry is subject to quantitative restrictions and obligatory tariffs in excess of costs. Without such restrictions, hauliers would, for instance, easily hire out a manned vehicle to an own-account carrier which would assume the role of transport operator. Under the new, liberalised market rules the need for such restrictions might be less, however.

Flexibility with regard to vehicles and drivers means, for own-account transport companies, easier adaptation to casual or cyclical fluctuation. Without such flexibility, depending on the situation, own-account carriers have an own-transport capacity at the level of lowest demand (using road transport companies during cyclical or seasonal upturns) or capacity at the level of their highest demand, with vehicles standing idle and drivers doing other work or being unemployed at other moments. The “lower demand” approach is followed when the same transport service can easily be hired at any moment from a road transport company. The “highest demand” capacity is inevitable if specialised vehicles or other specific requirements are necessary.

As part of the IRU Own-Account Transport Study, operators were asked about the use of hired vehicles and about the efficiency gains realised or possible. Replies from operators in France, the UK and the Netherlands, where there are hardly any restrictions in this field, were compared with those of operators in the other countries, and significant differences were found between the two groups.

4.1.1. *Vehicles hired without driver*

Interestingly, the hiring of vehicles without a driver is much more common in the countries which allow the use of vehicles hired with a driver than in other Member States.

Table 15. Use of vehicles hired without a driver

	F/NL/UK		Other countries	
	abs.	per cent	abs.	per cent
Yes	42	14	19	5
No	253	86	363	95
Total	295 ¹	100	382 ²	100

(1) Unknown and no data: 62 companies.

(2) Unknown and no data: 10 companies.

4.1.2. *Vehicles hired with a driver*

More flexible conditions relating to the driver of a hired vehicle exist in France, in the Netherlands and in the UK, where drivers can be hired independently from the vehicle. The criterion in these latter countries is that the own-account operator is actually using the vehicle and employing the driver of that vehicle. Nevertheless, when a vehicle is hired with a driver from a road haulage company, the operation is considered to be transport for hire or reward.

Companies looked at the matter from an operational rather than a legalistic view, however. When considering themselves in charge of organising the transport operations (planning, loading, etc.) while using a vehicle from a third-party haulier, they stated that they used vehicles hired with the driver. In five countries other than France, the Netherlands and the UK, “yes” answers were given. Germany cannot be included in the tables, because the query in the national questionnaire was specifically related to the national legislation, prompting all companies to state that they do not hire vehicles with a driver.

Table 16. Use of vehicle hired with a driver

	F/NL/UK		Other countries	
	abs.	per cent	abs.	per cent
Yes	66	19	19	15
No	273	81	109	85
Total	339 ¹	100	128 ²	100

(1) Unknown and no data: 18 companies.

(2) Unknown and no data, including all German answers: 264 companies.

It was also asked whether companies would hire vehicles with a driver if this were to be allowed. In countries where this is not allowed at present, 31 per cent of operators confirmed that they would do so. The percentage of companies in France, The Netherlands and the United Kingdom actually using vehicles hired with a driver is lower (19 per cent).

4.1.3. *Cost savings through the use of vehicles hired with a driver*

A limited number of companies gave a quantitative assessment of the cost reductions which were (F/NL/UK) or could be (other countries) obtained.

Table 17. **Cost reductions in own-account transport**

	Realised, F/NL/UK	Expected, other countries
0	1	8
1 - 5%	3	12
6 - 10%	4	30
11 - 15%	-	12
16 - 20%	2	11
21 - 30%	-	14
31 - 40%	-	4
>40%	1	1
Total no. of companies	11	92

The number of companies in France, the Netherlands and the UK is too small to draw firm conclusions. Expectations and realised cost reductions, however, show similar patterns. For the companies concerned, some 10 per cent reduction in the cost of own-account transport would seem to be obtained.

4.2. Own-account transport in the framework of an economic entity, *Konzernverkehr*

In the definition of own-account transport, or in the set of restrictive conditions with which it shall comply, the own-account operator is referred to as “the undertaking”. More often than not, in national legislation, this undertaking is considered to be the smallest legal entity. From the inquiry made by the IRU, it appears that major improvements in efficiency and major reductions in (empty) vehicle kilometres can be achieved if “the undertaking” were to be defined as an economic entity. Companies would not need to set up a transport subsidiary, can better co-operate with third-party hauliers and make better use of their own fleets. The findings of the study were the following.

The use of own-account fleets for operations on behalf of other companies in a group (economic entity) is allowed in the United Kingdom and in the Netherlands. Under the 1944 Transport Act, this is equally allowed in Ireland, provided own-account transport is for, or on behalf of a subsidiary company. In France, special authorisation for such transport operations can be issued, and the use of each other’s fleets is allowed if companies work together on a joint activity.

Transport operators approach the matter from an operational rather than a legal angle. When goods are delivered, two parties can move them on their own account: the buyer and the seller. Some companies do transport on their own account, in legal terms, while, in the view of the company itself, it is moving goods for the account of a sister company.

This may explain why operators in most countries covered by the study confirm that they carry goods on behalf of other members of the same group. Exceptions are Germany, where the question specifically addressed the legal situation, prompting 100 per cent negative answers, and Portugal, where answers were received from too few companies to justify conclusions at a national level and where none of these companies belonged to a group.

Table 18. **Companies carrying goods on own account on behalf of members of the same group**

	F/NL/UK		Other countries*	
	abs.	per cent	abs.	per cent
Yes	120	33 per cent	32	27%
No	220	60%	85	71%
No data	27	7%	2	2%
Total no. of companies	367	100%	119	100%

* Without Germany.

Comparing the number of companies which carry goods on behalf of members of the same group with the number of companies which belong to a group, it is found that virtually all companies in France, the Netherlands and the UK, as well as a considerable percentage of companies in the other countries, engage in this type of transport. In this latter group, another 10 per cent stated that they would move goods on behalf of other companies in the group if this were to be allowed.

Table 19. **Companies carrying goods on own account on behalf of members of the same group**

	F/IRL/NL/UK	D*	Other countries
Belong to a group	124	104	64
Carry goods for other members	120 (97%)	87 (84%)	32 (50%)

* 87 companies indicate that they would carry goods for other members if it were to be allowed.

Out of the 271 companies in the sample that belong to a group, there are 239 (88 per cent) which engage, or would engage if it were to be allowed, in carrying goods on behalf of other companies of the same group. Of this latter group, 54 per cent (128 companies) consider that this implies changes in the ownership and/or management of the vehicles presently owned by the different branches of the company.

Table 20. **Percentage of tonnage moved on own account for other members of the same group**

	NL/UK		F/IRL/NL/UK		D*		Other countries		Total	
	abs.	%	abs.	%	abs.	%	abs.	%	abs.	%
1-10%	41	46	60	50	45	57	11	44	116	52
11-20%	7	8	12	10	14	18	4	16	30	13
21-30%	5	6	6	5	12	15	5	20	23	10
31-40%	4	4	4	3	2	3	1	4	7	3
41-50%	7	8	8	7	3	4	1	4	12	5
51-60%	2	2	2	2	0	0	0	0	2	1
61-70%	3	3	3	3	2	3	0	0	5	2
71-80%	5	6	6	5	0	0	2	8	8	4
81-90%	2	2	3	3	1	1	0	0	4	2
91-100%	14	16	15	13	0	0	1	4	16	7
Total	90	100	119	100	79	100	25	100	223	100

* Germany and Italy, as quoted by companies that would carry goods on behalf of other members if it were to be allowed.

Goods carried on behalf of other companies in the same group represent, generally speaking, a small percentage of total tonnage carried. In the Netherlands and the United Kingdom, however, 20 per cent and 10 per cent respectively of the own-account operators move 91-100 per cent of the total tonnage on behalf of other companies in the group. Where it is legally allowed, one company of the group may be made responsible for the transport operations, using vehicles from the other branches of the company. Answers indicate that a shift from outsourcing to own-account transport would concern a modest percentage of total tonnage presently moved on behalf of the company. Of the companies concerned, 54 per cent would change operator for less than 10 per cent of total tonnage, and 10 per cent of the companies only state that more than 30 per cent of total tonnage would be affected.

4.2.1. Reduction in the cost of own-account transport

A quantitative estimate of cost reductions in own-account transport operations to be obtained from carrying goods on behalf of other companies in the same economic entity was provided by 104 companies from eight different Member States.

Table 21. **Cost reductions in own-account transport**

Cost reduction in countries where own-account transport on behalf of other group members is admitted by legislation

Total	0	1 – 5%	6 - 10%	11 - 15%	16 - 20%	21 - 30 %	31 - 40%	>40%
23	2	5	5	4	3	2	2	0

Expected cost reduction if own-account transport on behalf of other group members were to be admitted by legislation

Total	0	1 – 5%	6 - 10%	11 - 15%	16 - 20%	21 - 30 %	31 - 40%	>40%
81	4	25	21	8	13	7	2	1

Both the sub-samples indicate that reductions in cost can be substantial, depending on the specific situation in a company or group of companies. Even when there is no reduction in costs, companies may wish to engage in transport operations on behalf of other companies of the group, for reasons relating to the centralisation of in-company transport, for instance. The average reduction for the companies concerned would be 8-10 per cent of the costs of own-account transport at present.

4.2.2. How to define an economic entity

The European States which at present allow own account for company branches, even if they are different legal entities, have included in the legislation a set of criteria establishing whether branches form an economic entity.

A common element therein relates to ownership. France is the exception to this rule, which is explained by the specific requirement that companies concerned must work together in a joint activity. Use of each other's own-account fleets is allowed in the framework of that joint activity and companies concerned may, for the remainder, be fully independent from one another.

Common ownership is the only requirement in the UK, where at least 50 per cent of the shares must be owned by the same (legal) person. The absence of further requirements can be related to the need for own-account operators to obtain a licence similar to the licence for road hauliers for hire or reward.

The Dutch system combines the ownership requirement with the notion of a joint activity. It would not be admitted if a holding company which controls a large part of the economy were to use the own vehicles operated by an oil company for transportation on behalf of a sugar manufacturer, even if both were owned by the holding.

Indeed, in such a case there would be hardly any reason why the holding could not also own a road transport company. This is less evident for smaller economic entities, however. Real-life experiences include a small manufacturer of furniture who split his company into two branches, one for traditional and one for modern furniture. Both branches were modest in size and one vehicle was enough for transportation of all furniture made by the two legal entities. Since *Konzernverkehr* was

not permitted in the country concerned, each of the branches had to start operating a lorry of its own, as the setting up of a transport company was not considered feasible by the holder of the two undertakings.

In many companies of all sizes, holding as much as others, the setting up of a transport branch is considered as undesirable. There is no intention to engage in the transport business, which is far different from the main activity and there is no intention to set up a further company, with all the related general and road-transport-specific legal and administrative obligations, specific industrial relations and so on.

For the companies concerned, their national administration's view that they can easily set up a road transport company does not provide a feasible solution to the problem they face. The operators concerned continue own-account transport with different fleets, higher costs and more trips than are necessary. For society at large, this implies higher social costs and demand for road use that can be avoided.

As is shown for France, the UK and the Netherlands, different definitions of an economic entity are possible. Ownership and a relationship between the main activities of the company branches can be considered as the most relevant criteria.

4.3. Accompanying measures to safeguard the functioning of the road transport markets

When allowing *Konzernverkehr* or relaxing other conditions, care must be taken that the regulatory framework governing road haulage for hire or reward is not affected. This is why the road transport sector itself is in favour of enabling own-account transport to become more efficient only if additional qualitative criteria apply to the companies concerned.

One approach is to submit own-account transport to a qualitative licensing system also, as is the case in the United Kingdom (except Northern Ireland). The criteria regarding professional competence and good repute apply to any goods transport operator. Creditworthiness, however, is required only from operators for hire or reward, as own-account transport operators cannot be judged on financial capacity in their transport operations separately and as they have no financial commitments to a transport client.

The other approach is to better ensure compliance with the obligation that only "own" goods are transported. This can be done by an administrative system monitoring that transport capacity (in terms of vehicles operated and/or drivers employed) conforms to the own needs of the undertaking.

Likewise, allowing own-account transport on behalf of company branches implies the introduction of an administrative system for registering which companies belong to an economic entity. Without such a system, abuse could easily be made.

Examples of the legal provisions that allow the use of own-account fleets in the framework of an economic entity are found in British and Dutch legislation. It is noteworthy that both those countries register own-account operators, the fleets they use and the companies which are part of the economic entity. Countries which do not register own-account transport operators at present would not need to introduce such a registration system generally. Registration could be confined to those companies that wish to engage in *Konzernverkehr*. This would make it possible also to introduce, where appropriate, further qualitative criteria for this type of own-account carriage.

5. CONCLUSIONS AND RECOMMENDATIONS

Own-account transport of goods is an important part of goods transport by road and a vital component of the marketing and logistics concepts of hundreds of thousands of companies in the European Union and in Europe at large. In 1995, 42 per cent of tonnes carried on the EU roads and 26 per cent of tonne-kilometres were own-account transport. Transport for hire or reward takes an increasing share in the road transport of goods (50 per cent of tonnes in 1985, 58 per cent in 1995). More competition in road transport, better possibilities of adapting transport services to the needs of the shippers, integration of other logistic services and an increase in average transport distances make transport for hire or reward an increasingly attractive alternative to own-account carriage.

Own-account transport in the EU provides jobs for more than three million people and gives rise to a large volume of investments, in vehicles as well as in buildings (warehouses, etc.). Its contribution to the Gross Domestic Product is substantial, as can be estimated by comparing the total cost of logistics for EU industry with the total volume of outsourced logistic services. There is no similar data for central and eastern European countries, where the own-account share varies between 10 and 70 per cent of total road transport of goods.

Many companies continue to consider own vehicles and full control of the business, including the logistic and transport element, as the preferred solution for whole or part of their activities. The reason can be cost efficiency, when the characteristics of the transport operations make it difficult for transport service providers to profit from economies of scope or economies of scale. Equally, own-account transport may be the preferred or even the only option because the goods traded need special care or knowledge, or when marketing strategies include delivery by the manufacturing company itself.

The legal conditions, through their effect on efficiency in the use of vehicle fleets and the cost of mobile staff, influence cost levels. Differences in this respect between transport service providers and own-account operators have an impact on their shares in total road transport of goods.

Transport statistics and an extensive inquiry amongst EU companies which operate their own vehicles provide evidence of the role of legislation in logistic choices. Most of the relevant legislation is national. EU rules govern international own-account carriage and cabotage operations in the Union, while own-account operations to and from countries outside the Union are governed by bilateral agreements. The importance of EU rules for national legislators is evident, however, considering that new Member States have introduced, for domestic own-account transport, the conditions which apply under EU legislation to international operations and that applicant countries tend to do the same.

The EU rules were adopted in 1980 and should be seen in relation to the regulations governing road haulage for hire or reward at that time. These latter have undergone important changes at national level in the Member States. In parallel to the introduction of increasingly stringent quality criteria, quantitative licensing and obligatory tariff systems were abandoned, leading to better and cheaper transport services which, in turn, made many companies opt for transport for hire or reward instead of using their own vehicles.

These changes improved the functioning of the transport market and, in addition to more competitive conditions, implied a decrease in negative social effects at the same time: fewer empty runs and increased use of large vehicles with less emissions and congestion per moved tonne.

The increase in the share of road haulage for hire or reward is likely to continue. Differences between European States at present suggest that in many countries there is considerable scope for a greater role for road haulage services. The continuing integration process of an increasing number of national economies in the Internal Market favours transportation over larger distances, where road haulage, generally speaking, is less costly than own-account transport, because loads for different parties can be combined in one journey. The strategic concepts of the companies interviewed confirm the interest of industry in outsourcing transport activities when this is practicable and cost-effective.

However, it is also evident that own-account carriage will remain the solution for whole or part of transport demand generated by many companies with main activities in agriculture, manufacturing, trading or other services. This is confirmed by interviews held with companies in countries that have a long tradition in qualitative market access regulation (Sweden, the UK, the Netherlands) and hence with low shares of own-account operations in total domestic road transport. The result is that companies implement a mix of third parties and own fleets, using the respective advantages of each. It would be in the interest of the economy and of society at large to allow own-account transport operations to be organised in a more efficient manner, in view of the reductions in emissions and congestion obtainable if fewer vehicles and fewer empty journeys were needed. An adaptation of the legal conditions is required to achieve this and would follow practices as they developed after the introduction of the legislation now in force in most European countries with regard to road haulage for hire or reward.

National transport legislation shows different ways in which own-account transport can be allowed to be more efficient than is possible if the conditions in the EU rules at present must be met, and how road transport services from third-party partners can be integrated into logistic concepts together with own fleets, rather than a choice between the two being required.

Changes in the legal systems would need to be introduced foremost at national level. Own-account transport is predominantly domestic transport and most of the gains would be achieved at national level. Amending international legislation would, however, not only have an impact on international own-account transport: it would be a strong incentive for European countries to follow at national level.

Under EU legislation, international own-account transport must at present meet five conditions:

1. The goods carried must be the property of the undertaking or must have been sold, bought, let out on hire or hired, produced, extracted, processed or repaired by the undertaking;
2. The purpose of the journey must be to carry the goods to or from the undertaking or to move them, either inside the undertaking or outside for its own requirements;
3. Motor vehicles used for such carriage must be driven by employees of the undertaking;
4. The vehicles carrying the goods must be owned by the undertaking or have been bought by it on deferred terms or hired provided that in the latter case they meet the conditions of Council Directive 84/647/EEC of 19 December 1984 on the use of vehicles hired without drivers for the carriage of goods by road;
5. Carriage must be no more than ancillary to the overall activities of the undertaking.

Out of these five conditions, the first and second may be left unchanged and the three others should be amended as follows:

3. Motor vehicles used for such carriage must be driven by employees of the undertaking or by hired personnel under the full responsibility of the undertaking in respect of the carriage involved;

4. The vehicles carrying the goods must be owned by the undertaking or have been bought by it on deferred terms or hired;
5. Own-account transport as self-service is purely ancillary to the overall activities of the undertaking.

Furthermore, companies which are part of a multinational company, and companies which are part of an economic entity, consider that improvements in efficiency and social costs result if own-account transport serves economic entities rather than the smallest legal entity.

An investigation should be made as to whether this extension of own-account transport needs the introduction of qualitative conditions for access to this kind of own-account transport (*Konzernverkehr*), in order to improve the efficient use of vehicles operated on own account, without affecting the role of the road haulage sector.

Having identified that real possibilities for higher efficiency exist for these companies, considering that the legal framework must secure the proper functioning of the road haulage markets, and bearing in mind that the legislation concerning own-account transport is foremost national legislation, it is recommended to introduce:

At national level

- Amendments to the legal conditions presently applying to own-account transport, in order to promote better vehicle use and hence a reduction in the number of vehicles in use, in congestion and in environmental impact, by means of:
 - a. the right for companies to engage in own-account transport operations for constituent parts of the same holding; and
 - b. the introduction of relevant qualitative criteria for the operation of this own-account transport as a function of the results of the investigation;
- Corresponding legal provisions to ensure the effectiveness of the regulatory measures governing the road transport industry;
- Enforcement and control mechanisms which are commensurate to the legal conditions under which different own-account transport activities may take place, so as to avoid abuses to the detriment of road transport for hire or reward, whilst avoiding undue administrative burdens on any road transport operator.

At EU level

- Amendments to the legal conditions which presently apply to own-account transport, in order to promote better vehicle use and hence a reduction in the number of vehicles in use, in congestion and in environmental impact, by means of:
 - a. the right for companies to engage in own-account transport operations for constituent parts of the same holding; and
 - b. the introduction of relevant qualitative criteria for the operation of this own-account transport as a function of the results of the inquiry;
- Related administrative requirements must allow proper enforcement and prevent abuses to the detriment of the road haulage sector;

- Safeguards to ensure that the proper functioning of road transport for hire or reward and the effectiveness of EU legislation, establishing an internal market for road transport services, is not jeopardised.

At ECMT level

A revised definition of own-account transport, so as to add to the definition adopted in 1957, the notion of own-account transport operations for constituent parts of the same holding.

IRELAND

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The following paper was received from Professor James Crowley before the Round Table.

Professor Crowley was unable to present his paper at the Round Table as, sadly, he died before the meeting was held.

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1. THE EXISTING SCOPE OF ROAD TRANSPORT FOR OWN ACCOUNT

By definition, it is difficult to present statistics on own-account road transport. Apart from its impact on road traffic statistics, own-account road transport is officially and commercially invisible. A firm engaging in own-account distribution views its production process as extending to the customer's door; similarly, own-account procurement extends the production process to the supplier's door. Own-account transport is a form of vertical integration; the firm in question uses the transport activity to exert control over the value chain from the raw materials pick-up point to the delivery and installation of the finished product. To the extent that production statistics represent value added, it is the value added inclusive of transport that the firm reports.

1.1. From service centre to cost centre

Own-account transport may be managed internally as a *service centre*, with the emphasis on the provision of sufficient transport capacity to ensure no collection or delivery is conducted at below a pre-defined standard of service. Where demand for the firm's product fluctuates, this may involve a reduced level of fleet capacity utilisation. In practice, uneven demand may be met by retaining older vehicles in the fleet to be used sparingly during the busier periods, or simply by running a larger fleet than necessary for much of the year and justifying this by the need for spare capacity in the event of breakdowns or to permit vehicle servicing to occur in an organised way.

Overall fleet utilisation is a primary concern of the own-account fleet manager. At a minimum, it arises in relation to vehicle acquisition or replacement decisions. In planning, there must be some formal quantification of the work to be done by the fleet over a period of time, of the appropriate capacity required and of the margin to be maintained for back-up and seasonal needs. If this calculation is too tight, the outcome may be substandard delivery performance during the peak demand period; if the calculation is too generous, the outcome may be idle vehicles. Even where the latter may be older or written-down vehicles, in practice, these vehicles must be taxed, insured, maintained in working order and parked or garaged at some rental cost.

So, for a given projection of the parent firm's production output and a predefined standard of customer service, the own-account fleet owner must conduct various analyses to establish the appropriate fleet size. Issues include:

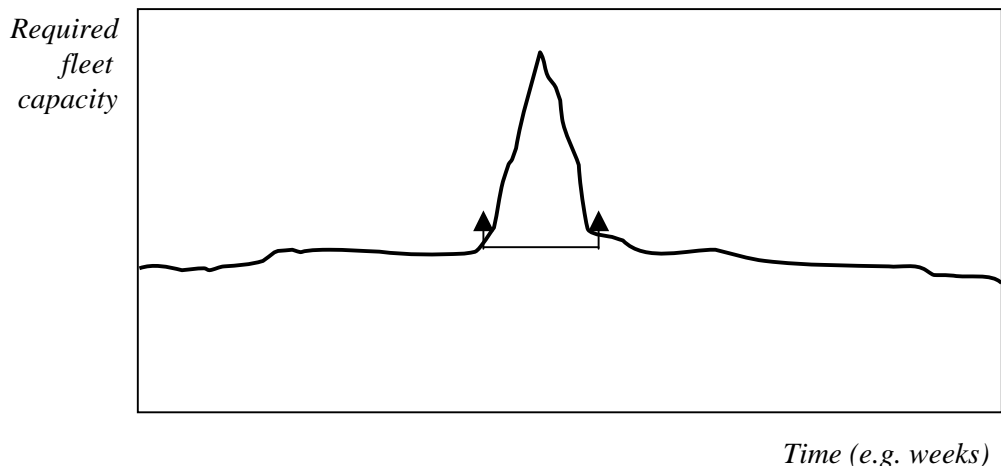
- *The geography of customer locations*, in that proximity to the manufacturing plant implies that, all other things being equal, delivery is likely to be effected by a smaller fleet;
- *The physical size and configuration of the product*, in that small-sized products facilitate multiple (multi-drop) delivery patterns; and
- *The driving efficiency permitted by available road infrastructure*, in that heavy or congested traffic erodes fleet productivity.

There are many computerized vehicle scheduling packages available for fleet planning purposes. Using these, the own-account fleet manager can maintain a map of customer locations, allow for prevailing traffic speeds and driving regulations and investigate the implications of different delivery and customer service strategies on fleet requirements. Apart from the *standing costs* of the fleet (i.e. annual vehicle capital costs, driver wages, insurance, road tax, garaging, overheads, etc.), the various *running costs* can also be incorporated in the calculations (i.e. those costs which accumulate according to kilometres driven, such as fuel, tyres, maintenance, tolls, etc.) and a *whole cost* calculation made.

As the firm becomes more conscious of the cost of its own-account transport operation, the fleet may come to be regarded as a *cost centre*. Here, the imperatives of customer service may still be to the fore, but pressure may begin to be felt to effect collections and deliveries at or below a predefined level of cost. The firm may monitor its delivery costs from year to year and attempt to contain or reverse any upward trends compared to, say, the firm's aggregate production. Equally, the firm may seek to *benchmark* its own-account operation against that of other firms in the same industrial sector or who perform similar procurement and distribution activities in other sectors. Fleet cost-cutting measures may be pursued, for instance, through the purchase of more cost-effective vehicles, more efficient vehicle routing or a variety of operational improvements (e.g. the use of cheaper fuel, better engine tuning, better driving techniques, etc.). Instead of maintaining a fleet size equivalent to the firm's peak output during the year, a decision may be made to hire-in some temporary vehicle capacity during the peak -- especially if the peak is of a narrow duration and significant savings in fixed cost can be achieved (Figure 1).

Figure 1. **Own-account vehicle capacity requirement**

In this case, the peak is distinctive and of short duration, so the most economical solution may be to hire in auxiliary capacity (as indicated by the arrows).



1.2. Addressing the back-haulage issue

As the search for efficiency progresses, sooner or later the own-account transport manager must address the issue of *back-haulage*. A major inherent source of inefficiency in own-account operations is the tendency for vehicles to travel unladen in one direction. The normal emphasis is on “doing a collection run” or “making a delivery”. Sometimes, however, a firm may be able to link physical procurement and physical distribution directly, because of a good synergy (in space and time) between the firm’s customers and its suppliers of production materials. Thus, as each vehicle completes a product drop at a customer location, it proceeds to a nearby supplier location and effects a pick-up. All things being equal, the alignment of distribution and procurement in this way could result in a halving of transport cost -- by the elimination of the empty running that would otherwise occur in the separate legs of the firm’s transport activities. As stated, this presupposes that the timing of procurement activity is broadly in alignment with that of distribution -- this would not be the case if, for instance, delivery were on a continuous JIT basis while procurement were on an occasional bulk purchase basis.

Instead of, or in addition to, catering for its own procurement traffic, the own-account firm may also consider the possibility of carrying backhaul traffic for third parties. Technically, this may change the status of the own-account operation to that of commercial operator and a haulage licence may be required. In principle, the own-account fleet’s task continues to be that of delivering its parent firm’s product in the outward direction and/or procuring the firm’s material needs in the inward direction. However, for various reasons, it may prove impractical to match the two traffic flows and instead other (i.e. third-party) traffic may be found which, while outside the direct ambit of the firm, has the correct origin-destination coincidence and is physically suitable (i.e. it does not cause vehicle contamination, etc.). The own-account firm carries this traffic on a for-reward basis and the third-party revenue thus acquired offsets at least part of the cost of operating the own-account fleet.

At this stage, the own-account operator must develop expertise in traffic costing and pricing. Third-party traffic is carried under competitive conditions: firstly, there is the cost that the third party would itself incur were the traffic to be carried under its own account and secondly, there is the price that a commercial haulier would charge. This is a function of general market conditions: in principle, the price which an own-account operator can validly charge to a third party varies from zero (i.e. with the cost of the round trip allocated fully to the firm’s own traffic) to the full cost of the round trip (i.e. with zero allocation of cost to the firm’s own traffic).

In practice, revenue can be maximised by setting the price for each consignment according to its known price elasticity (i.e. by applying price discrimination).

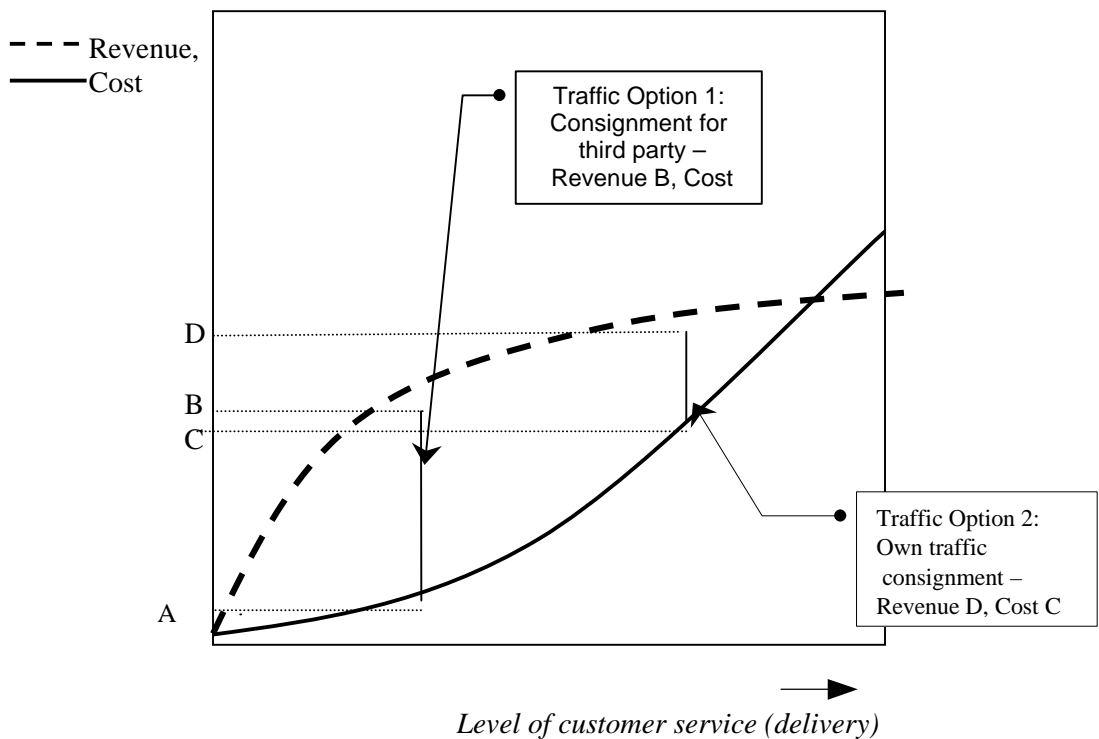
Complications may arise when other elasticities are taken into account. It may, for instance, be found that revenue from third-party traffic may be sensitive to delivery frequencies or to actual times of departure. The opportunity, or temptation, may arise to adjust the delivery settings of the own-account firm’s own traffic to make the backload operation more attractive to the third-party traffic. For instance, daily deliveries may have been found ideal for the firm’s own traffic, but twice-daily deliveries in the reverse direction may prove ideal for the third-party traffic. In the interests of revenue maximisation, therefore, the return trip may be changed to twice daily. This logic

may further extend to the time of day in which deliveries and collections are made, to the size of vehicles deployed and to the type of equipment used (for instance, refrigerated instead of dry goods trailers).

1.3. From cost centre to profit centre

Under these conditions, the own-account fleet may come to be regarded as a *profit centre*. Here, the firm recognises that, during some of the time at least, it may be appropriate to forego marginal opportunities for profit maximisation through the excellence of the delivery of its main product in return for larger profits achievable through enhancing the delivery of third-party traffic (Figure 2). Optimising the commercial deployment of the own-account fleet is now the goal: the objective is to keep vehicle utilisation levels high and unit delivery costs low, and deliveries involving unnecessarily high (i.e. only marginally profitable) customer service levels for the parent product may be pared back in favour of more profitable consignments of third-party traffic.

Figure 2. Example of revenue-cost trade-off (yield) for a third-party consignment exceeding that for own-traffic consignment



This may give rise to some conflicts within the firm. For instance, the marketing department may argue that the paring back of customer service levels for marginal sales of the parent product, however warranted by the poor revenue-cost trade-off (yield) involved, may have an adverse effect on future sales growth. After all, today's marginal sale is likely, if properly nurtured, to become tomorrow's buoyant market segment. The traffic department will, however, argue that, as a profit centre, its responsibility is to find the most profitable traffic opportunities from whatever source; it may even adopt a benign position when the marketing department seeks to engage outside transport

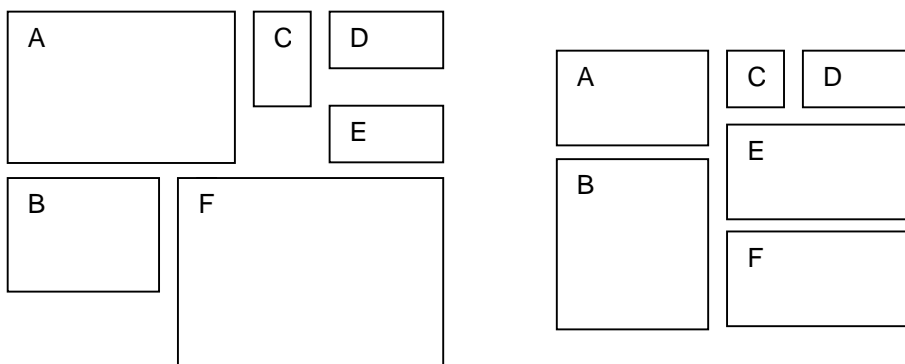
expertise to carry its marginal traffic, on the basis that a corollary of the freedom to reject unsuitable traffic is the freedom of that traffic to seek suitable alternative transport. For these reasons, many parent firms find it difficult to give their own-account operation the full status of a profit centre and, where they do, constraints may be imposed on its yield-maximisation freedoms.

1.4. The arguments for and against own-account road transport

The advantages and disadvantages of own-account road transport depend on the traffic circumstances of the individual firm. Where traffic is stable and predictable, the own-account firm has opportunities to plan its routes and deliveries with care and maximise the marketing impact of its transport operation. Likewise, the larger the volumes of traffic involved, the greater the opportunities for scale economies, especially with regard to the purchase of supplies such as fuel and the performance of back-up activities such as vehicle servicing and maintenance. Also, with a large fleet, there are opportunities for mixing vehicle types and capacities to permit a finer degree of tuning in the allocation of vehicles to routes. It can also be argued that, with a large fleet, there is scope for various in-house facilities, professionalism in various procedures and, generally, for spreading overhead costs more thinly.

There are counter-arguments. Large fleet operators find there can be diseconomies of scale, arising from management layers and bureaucracy. Where trades unions are involved and adversarial relationships develop, work may become heavily proceduralised, making change difficult. The parent firm is captive if work stoppages occur, having “put all its eggs in one basket”. A modern argument against a firm’s large-scale commitment to own-account transport concerns the question of *core competence*. The firm which tries to do everything is likely to find itself over-stretched and forced to make choices about where it concentrates its management expertise. It may not be possible to be excellent at both the primary activity and at transport management. A similar argument extends to the question of capital resources: as a firm expands, it may require an increasing proportion of its capital to be invested in its primary activity, and may therefore view the own-account transport function as an unnecessary drain on available funds. While, in theory, a large firm may achieve scale economies, in practice constraints may prevent any or all of the components achieving its individual optimal size, resulting in a sub-optimal “sum of the parts” (Figure 3).

Figure 3. **Modular organisation**



On the left, each internal unit of the organisation is at its own optimal size.

On the right, the overall organisation is at its optimal size (but only unit D is at its own optimal size).

2. COMMERCIAL HAULAGE AS AN ALTERNATIVE TO OWN ACCOUNT

For many firms, the traditional alternative to own-account road transport has been commercial haulage. The commercial haulier is a firm licensed to carry goods for third parties for reward and the commercial haulage sector consists of the population of licensed hauliers. Market entry used to be limited quantitatively in many European states, but is now subject only to quality controls which are standard through most of Europe. Considerable freedom has been established in recent years with regard to the haulage of traffic internationally in Europe.

The cost structure of a haulage operation is similar to that of own account: *vehicle standing costs* are, again, those which are incurred irrespective of the firm's activity level and are related primarily to fleet size; *running costs* are those which are incurred incrementally as output (usually measured in tonne-kilometres) is produced. In theory the commercial haulier occupies a more central market position than an own-account operator and so has enhanced opportunities to find sufficient traffic to maintain high vehicle utilisation and load-occupancy levels, especially with regard to backhaul traffic. The peaks and troughs in the transport quantities offered by different clients can be carefully counterbalanced. Unit costs may therefore be lower than for the own-account option, so that, even with an appropriate profit margin, the haulier's prices can provide a viable alternative.

The additional benefits of using a commercial haulier include the operator's skill, experience, professionalism and transport industry connections – all of which matter in determining the overall quality of the transport operation. The main arguments against the use of commercial hauliers tend to include: loss of control, loss of positive marketing impact including direct customer contact, and reduced flexibility in meeting late or unusual delivery requests. The average fleet size of commercial hauliers in Europe has tended to be small (i.e. less than 10 vehicles) so that scale has not been a major argument for using them. Hauliers do, however, create scale effects indirectly through their professional associations, networking capabilities and various group discounting schemes in the purchase of supplies such as fuel, tyres, insurance, etc..

In general, the professionalism of the commercial haulage sector has improved markedly in recent years. This has been, in part, due to the quality controls now being applied to market entrants throughout the EU, in part due to the superior vehicle and communications technologies now available to the haulier, and in part due to the increased sophistication and service expectations of the typical haulage user.

2.1. Quality controls

The basic requirements are that the managers of haulage firms should be professionally competent (i.e. hold a certificate of professional competence), financially sound and of good repute. The upshot is that haulage firms are increasingly being run on sound commercial lines, with a considerable emphasis on financial control, marketing and communications both within the firm and with customers. This has led to improved levels of financial stability, operational reliability and flexibility in dealing with customer requests. Because quantitative controls have been eliminated, capacity supply and demand in the haulage sector are more finely balanced. In theory, the corollary of liberal market access during periods of capacity under-supply is liberal market exit during periods

of over-supply. However, under recessionary conditions, it may be that surpluses of second-hand vehicles are slowing down market exit and having a damaging effect on industry cost structures, as evidenced by recent national protests by hauliers in France and the United Kingdom.

2.2. Vehicle and communications technologies

Vehicle technologies have improved under most headings: engine design and efficiency, transmission efficiency, chassis design, cab facilities and comfort, traction and suspension, electronics, etc.. These benefits are, of course, also available to the own-account operator, but inevitably, because of differences in priorities and core competence emphases, the professional haulier tends to be more aware of and focused on the various nuances of vehicle improvements and differences between brands. In any event, the traffic loads and realms of operation of the own-account operator are more limited than for the commercial haulier, especially with regard to international activity, so the need and opportunities to cater for a range of operational conditions are less.

In today's market conditions, one of the principal benefits of superior vehicle technology is operational reliability, i.e. low level of *en route* breakdowns and late arrivals. Many industrial deliveries must now be effected under Just-In-Time (JIT) conditions and the production-line penalties of late or unpredictable arrivals can be considerable. Consignors, therefore, may prefer to place the responsibility for on-time delivery in the hands of a haulier, who has highly reliable equipment together with a sufficient backup network to ensure service recovery in the unlikely event of a technical problem. A similar position exists in relation to deliveries to retailers, who, in their drive towards *Efficient Consumer Response* (ECR), have imposed very tight delivery "windows" on their suppliers, with severe penalties in the event of missed deliveries.

State-of-the-art communications technologies are also of considerable importance in maintaining high reliability levels and meeting customer delivery requirements. In the field of telematics in Europe, much progress has been made in relation to traffic congestion avoidance and realtime vehicle re-routing. Geographical positioning systems (GPS), linked to telecommunications satellites, are providing detailed vehicle monitoring capabilities and facilitating professional freight carriers in meeting a new market demand for consignment progress monitoring. The most recent vehicle position, obtained via GPS, can be transferred to an Internet home page and linked to pre-stored information about the consignments on the vehicle. Consignors can then get information on their consignment position by accessing the home page using an appropriate consignment identity number and password.

2.3. Service expectations of the user

Increasingly, commercial hauliers report that the user is looking for more than just basic point-to-point transport service. Comprehensive geographical coverage and high frequency of service are, for instance, important. In response, hauliers have developed cross-docking concepts. These operate in hub-and-spoke fashion, with several full trucks arriving at an intermediate location at the same time from various origins. In a pure cross-docking operation, the goods are removed and reorganised without being placed in storage and the trucks are reloaded by destination. The full

trucks then depart for these destinations and the entire cross-docking operation is completed in a relatively short time period (e.g. two to three hours). Computers play an essential role in pre-planning the vehicle loads and in identifying individual pallets by their bar codes.

Another feature of modern haulage, which addresses the question of marketing image, is the ability of some hauliers to style their vehicles in the livery of their customers. Obviously, this works easiest in the case of large customers providing regular traffic. However, even for small and less regular customers, it may be possible to make quick changes involving, for instance, the application of a customer's logo to a truck using easily-removed decals. In some cases, the driver may change to the customer's uniform and perform certain administrative tasks on behalf of the customer as part of the delivery assignment.

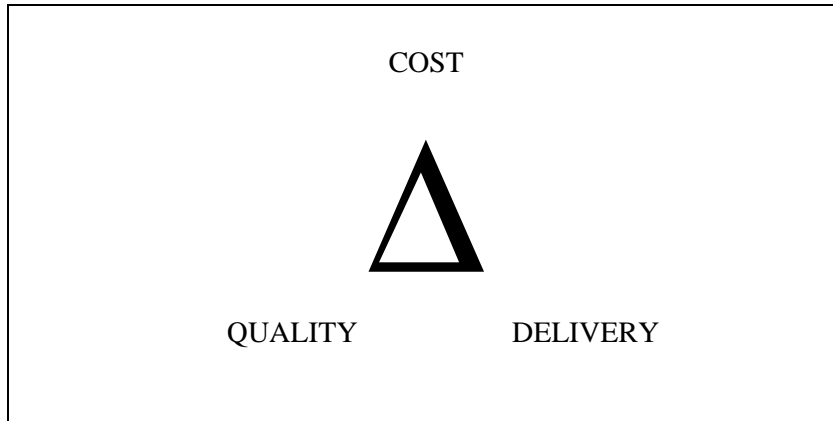
To redress the perception of loss of control at the critical point of contact with their customers (i.e. the moment of delivery, involving the physical handover of ownership of the goods), which own-account firms quote as their major reservation against using commercial hauliers, many hauliers today offer detailed administrative backup in conjunction with their transport service. This may extend to a comprehensive reporting of consignment status throughout the delivery process, a clear and detailed report of the completion of delivery, the processing of documentation related to the transaction, and access via electronic data interchange (EDI) to and from the customer's computer system throughout the period of the transaction. Through the substitution of information control for physical control, the reservations of some firms can be overcome.

3. THIRD-PARTY LOGISTICS SERVICES AS AN ALTERNATIVE

For a variety of reasons, many manufacturing and distribution firms today make use of the services of third-party logistics providers rather than commercial hauliers *per se*. The logistics perspective tends to be a wider one than that of transport. The supply, or value-adding, chain is seen organisationally as stretching from the producer's location to that of the customer and physically as consisting of a series of transport and storage elements. These elements are interlinked by the forward flow of materials and by associated flows of information. Apart from transport costs, there are also: inventory costs, which arise whenever goods are in storage or in transit; materials handling costs, which arise at each transfer to or from a transport or storage mode; information processing costs, which depend on the quality of the logistics control system in place; and additional customer service costs, such as when deliveries must be expedited, returns or the replacement of damaged goods become necessary and penalties associated with failures of delivery are incurred.

The supply chain impacts on competitiveness in three ways: it adds to the cost of production, it affects the timeliness of deliveries and market responsiveness and it plays a role in determining the quality of produce on its arrival at the customer's premises. This is symbolised in Figure 4.

Figure 4. The Cost-Delivery-Quality Triangle



Poor delivery affects the market impact and potential selling price of goods in various ways:

- Lengthy delivery times may reduce available shelf life for the retailer and consumer;
- (Defensive) inventory costs are built up along the chain where delivery is uncertain;
- Delays in the delivery of goods may interrupt retailing or further production at the destination;
- Delays in the delivery of goods may have direct financial repercussions where retail sales are lost.

The logistics function impacts on the *quality of goods* insofar as their en route handling and storage may expose them to deterioration, such as:

- Handling damage;
- Perishing, in the case of fresh goods which are sensitive to the elapse of time;
- Obsolescence, where delivery is required before an expiry time;
- Movement damage (vibration, etc.).

The elements of the triangle in Figure 4 are interrelated and involve trade-offs. Abnormally cheap transport services may be associated with poor care of goods, unnecessary storage and unreliable delivery. Premium service is usually more costly. Where goods are compact and relatively high in value, logistics cost tends to be relatively less important and geographical market penetration relatively extensive. In contrast, where goods are of low value and bulky, logistics cost has a greater influence on selling price, market penetration may be limited geographically and considerable attention must be paid to logistical efficiency.

A third-party logistics (3PL) firm may be defined as an external supplier that performs all or part of a company's logistics functions on a commercial basis (Coyle *et al.*, 1996). There has been a recent strong upward trend in the numbers of firms offering and using such services (Lieb and Randall, 1998). There are a number of immediate differences between the use of commercial hauliers and of 3PL providers: the latter offer a range ("bundle") of services apart from transport, such as warehousing and information processing; they tend to be hired as the providers of "one stop shop"

solutions to a range of logistical problems; they may offer “value-adding” capabilities by absorbing elements of production into the logistical process (e.g. product preparation, packaging, labelling, order picking, scrap disposal, product assembly/installation).

The use of a 3PL provider is believed to give important strategic benefits to the vertically integrated firm. There has been some criticism of traditional forms of vertical integration which are based on the centralised ownership of the elements of the value chain, on the basis that such efforts are costly, organisationally rigid and cumbersome to manage (Stuckey and White, 1993). Newer and more flexible forms of vertical integration, however, which are based on the avoidance of ownership and long-term contractual commitments and instead rely on informal and flexible relationships between the elements of the value chain, are believed to be ideally suited to today’s conditions of rapidly changing markets and product proliferations. The manner in which 3PL providers are used and the relationship-type agreements within which they work, fit well with contemporary organisational trends. In particular, the concept of the *virtual organisation*, which is a temporary, informal but highly focused grouping of value-chain elements in disparate locations, hinges on the availability of 3PL services for its successful operation (Benjamin and Wigand, 1995).

4. ROAD TRANSPORT IN THE CONTEXT OF INDUSTRIAL TRENDS

The question of the future roles of the different road transport formats is best considered in the context of industrial trends generally and the relationship between these trends and physical freight flows. Contemporary industrial trends in Europe have a number of driving forces, e.g.:

- A general trend towards value-chain reconfiguration by firms distributing within the EU, in response to the completion of the Single European Market (SEM);
- A general trend towards the globalisation of international trade, which influences the European investment decisions of multinational corporations;
- Changes in the technology of products and of production processes;
- Marketing and distribution innovations, favouring the customisation of products and the facilitation of ordering through electronic channels.

The general trend towards *value-chain reconfiguration*, which occurred originally in anticipation and, subsequently, following the completion of the SEM, has been well documented (O’Laughlin *et al.*, 1993; Bagchi and Skjott-Larsen, 1995). Basically, firms have availed of the opportunity to eliminate duplications of stockholding and production, which had arisen due to previous barriers against the free movement of goods. The required numbers of Regional Distribution Centres (RDCs) and their locations have been recalculated on a “pure” geometrical/geographical basis, as opposed to the artificial hinterlands previously created by political boundaries.

Scale effects have been availed of, notably in the consolidation of supermarket and fast-moving consumer goods multiples in northern Europe. Competition between retail outlets has intensified and focused on the concept of *Efficient Consumer Response* (ECR), which in turn has imposed supply chain management efficiency pressures on firms supplying the retailers’ RDCs. Distribution firms, whether commercial or own account, have had to develop appropriate logistical expertise to meet the increasingly stringent delivery requirements.

The trend towards *the globalisation of international trade* affects the European location decisions of multinational corporations (MNCs). Not all of any given global value chain may be located in Europe, and logistical connections are required inwards and outwards and typically are supplied by “world class” transport or logistics service providers. Unit production cost, product quality and delivery reliability are central to international competitiveness, and the supply chains may have to cope with frequent changes of production location (i.e. footlooseness) as these goals are pursued relentlessly by MNCs in their migration from region to region.

MNCs rarely engage in own-account road transport; because of the long distances involved their transport movements are multimodal in character and dominated by the sea or air element. Their impact on the local road transport for own-account market is therefore limited to those deliveries which are made by local suppliers. Given the sourcing and logistical advantages to MNCs of having local supplies, this is not likely to be an insignificant market segment in European transport. Delivery requirements are, moreover, stringent, requiring a high level of logistical expertise on the part of the operator.

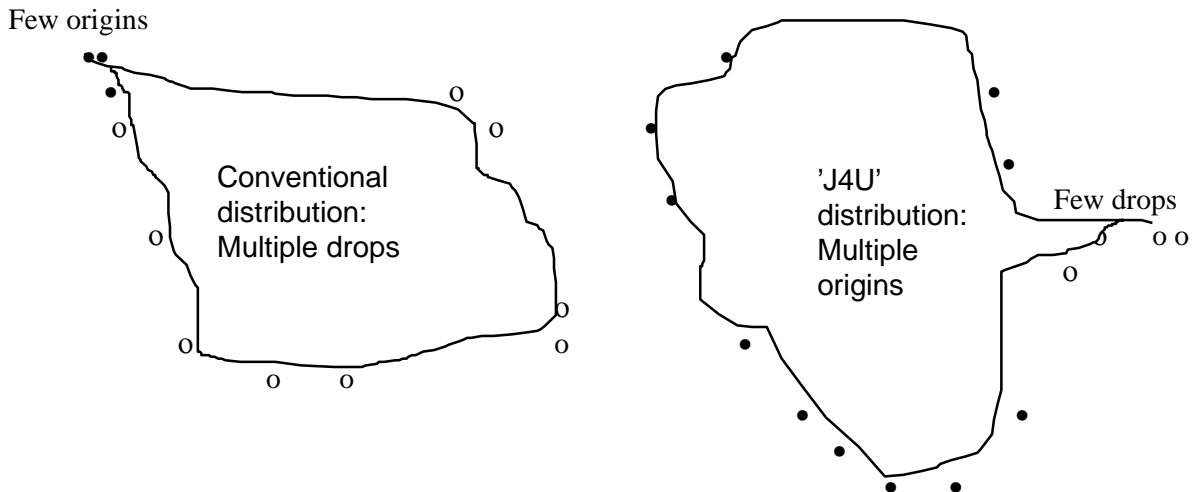
The impact of *changes in the technology of products and of production processes* on the demand for road transport is subtle but potentially widespread. As products in general have become lighter in their material content (through the use of plastic or composite materials and more economical design and packaging concepts) and richer in information content (through an increasing use of programmable components and advanced instruction media, e.g. accompanying CDs), there is an established trend towards *dematerialisation*.

This has changed the character of products being transported and, in turn, the economics of transport, from a previous emphasis on the carriage of relatively low-value but heavy goods to a new emphasis on the carriage of relatively high-value but volume-sensitive goods. A gradual decline in the demand for coal, iron/steel and other traditional materials has, for instance, coincided with a decline in the market share of rail freight and inland waterways traffic in Europe compared to road.

Many *innovations in marketing and distribution* are foreseen which may have a bearing, firstly, on the future role of road transport in Europe and, secondly, on the importance of the own-account option. New channel structures are emerging in which manufacturers interact with consumers directly through the Internet and use home delivery services, including conventional postage services, to bypass retail outlets. Thus, the road freight sector is set to play an increased role in the final stages of production, helping to provide flexibility of destination choice, delivery timings and product presentation (i.e. value-adding distribution or VAD).

Looking further to the future, it is foreseeable that delivery vehicles will have onboard technologies and “intelligence” to permit more elements of production to be continued during the delivery process. Frequently quoted examples include the baking of bread and other flour-based products, the controlled heating of pre-cooked meals, the mixing of ingredient-based products (e.g. paint) and the late printing of sales-related material (e.g. labels, price tags, etc.). Two separate trends are discernible: (a) home deliveries from multiple origins to few drop points (Figure 5), which may favour commercial (i.e. multi-user) rather than own-account road transport services; (b) the displacement forward in the value chain of elements of production, which may favour the own-account rather than the commercial option. These trends are further discussed in Chapter 6.

Figure 5. **Conventional *multi-drop* distribution pattern contrasted with *multi-origin pick-up* distribution pattern for home deliveries**



5. NEWER DEVELOPMENTS IN OWN-ACCOUNT ROAD TRANSPORT

This leads us to a more general discussion about the future of road transport for own account in Europe, and of the various alternatives to own account. An important observation to be made at the outset is that own-account road transport is itself evolving both as a concept and in organisational form. As was discussed earlier, there are certain limits to the balance of effort which a firm can allocate to its primary activity and to its own-account transport function. There are some obvious opportunities to reduce the firm's scale of commitment to the transport function, while ensuring that the goals associated with the own-account operation continue to be achieved. The first relates to capital investment.

5.1. Leasing

In practice, today's own-account fleet may not be owned fully or even in part by the own-account fleet operator, but may instead be leased. The parent firm's role, then, becomes one of operating a fleet which is owned by someone else. Where the fleet is *dry-leased*, the parent firm provides the drivers along with the various other operational resources. Where the fleet is *wet-leased*, the drivers are provided by the lessor. The general effect of leasing is to increase standing costs (due to the lessor's profit) but to permit a higher degree of flexibility than is normally associated with fleet ownership (the lessor being in a position to reallocate a large number of vehicles over a wide operational base). At a practical level, the main benefits of own-account transport operations are retained when leasing replaces ownership: there still is a high level of physical control over the procurement-production-distribution cycle, desired customer service levels can be targeted and achieved, the required marketing impact can be projected through the firm's livery, logo, etc.

5.2. General outsourcing

Other elements of the own-account operation may also be outsourced: for example, vehicle maintenance may be carried out under contract by an outside firm (possibly the main dealer who, in any event, handles maintenance while the vehicles are under warranty); warehousing may be subcontracted and with it the materials-handling function; staff training programmes may either be bought in or contracted out to professional experts.

Thus, in principle, a firm may conduct an own-account transport operation, within the definition, even though some or all of the individual components of the operation may be outsourced. There are, moreover, some interesting implications for the (parent) firm. When the various components are provided in-house, the required management competencies tend to be those pertaining to technical aspects of transport management, at a relatively micro level. Thus the firm is concerned with various technical details of vehicle engineering, load planning and scheduling and human resource management (recruitment, training, rostering, etc.).

When, however, the various own-account components are outsourced, the required management competencies shift to a relatively higher level and pertain mainly to organising and dovetailing the various operational components. The technical details are taken care of by those supplying the components and the responsibility of the host becomes that of choosing the outsourced components wisely, especially with regard to the question of risk management, making the necessary legal arrangements to ensure responsibilities are well defined, and arranging the timings of the various transactions so they occur in an efficient way. Considerable work is also necessary to incorporate the various outsourced operational components into the parent firm's communications and control systems. The experience of firms suggests that some technical economies may be lost at the micro level, but that these tend to be compensated for by new economies at the macro level and some important gains in strategic flexibility. The latter are especially important in today's rapidly changing technological and marketing environment.

The cut-off between the ownership and outsourcing of own-account transport components is neither clear nor neat: in practice, the extent of an own-account firm's outsourcing can range from something as narrow as vehicle repairs to something as all-embracing as fleet management. The timescale of the outsourcing can also vary, from the one-off, or transactional, to the routine, or contractual. The physical proximity of the outsourcing can also vary, from close, in which the outsourced function may even be accommodated in-house and difficult to distinguish from the functions not being outsourced, to "arm's length" in which it is both accommodated and managed at a separate location.

5.3. Haulage hire-in

As was discussed earlier, an own-account operator may find it sensible to hire-in some temporary vehicle capacity during peak periods, especially if the peak is of a relatively short duration. A similar consideration may apply to the transport of less-than-truckload (LTL) loads. Here, the own-account firm may find that, especially on routes to small remote locations, or in relation to the delivery of urgently needed parts, it does not have enough traffic to supply a full truck-load at the response time required by the customer. Some commercial haulage firms specialise in the carriage of

LTL (or *groupage*) traffic, the general idea being to “mix and match” traffic from different customers in such a way that the cube utilisation of trailers is maximised and each LTL load receives an acceptable allocation of the cost of a full trailer load.

LTL or groupage is a fairly specialist road haulage activity, often involving a network of depots and local collection/delivery services surrounding each depot. For this reason, it is a relatively rare area of concentration for own-account operators who have diversified into the carriage of third-party traffic. Nonetheless, there are situations where the own-account vehicle operator may consider carrying LTL traffic on behalf of third parties: (a) where trailer loadings are already high, so that LTL traffic is a small proportion of the total, (b) where the LTL traffic coincides closely with the parent traffic in origin and destination but is in a non-competing sector, and (c) where the LTL traffic is particularly remunerative in terms of revenue contribution (as is often the case for small freight consignments, due to the high price of alternative transport modes such as courier or express freight services).

5.4. The use of Information-Communications Technology (ICT)

In all industrial sectors, the ability to outsource has been greatly facilitated by advances in information technology. These advances have supplied the necessary network control capabilities. A firm operating a large-sized own-account fleet, with the major components outsourced, is likely to require a heavy investment in information-communications technology (ICT). The ongoing monitoring and costing of a dynamic vehicle fleet, together with the allocation of fleet resources to fast-moving traffic and the calculation of itinerary schedules on a real-time basis, imply state-of-the-art data capture and processing. Where third-party (backhaul) traffic is carried, online capacity booking facilities are now a necessity -- both to provide easy access for the third-party customer and to provide fast response to capacity enquiries generally. Also, third-party customers increasingly expect some form of tracking service, through which the status of a particular consignment can be observed at any time.

Data exchange standards equivalent to those of Electronic Data Interchange (EDI) are therefore essential between the elements making up the outsourced own-account transport operation. The services available through the Internet and World Wide Web (WWW) are likely to be of particular interest, given the direct connection which these services in turn offer to the growing world of electronic commerce.

It is not difficult to envisage a situation in which the own-account operator publishes this week's planned deliveries on a password-controlled Web homepage, for the benefit of both the firm's direct customers and the firm's potential third-party backhaul traffic clients. Requests from the latter are then received via the Internet and “stitched into” the planned itineraries according to pre-established rules (e.g. concerning the priority of parent company deliveries). All parties are subsequently able to track actual traffic movements as they occur, by means of live data monitoring. Behind the scenes, the various components of the transport operation are arranged and adjusted in conjunction with their corresponding suppliers, again using Internet interfaces.

5.5. Logistical expertise

The modern firm, dedicated to own-account road freight services, increasingly finds itself concerned with logistical issues. The reasons for this include: the need to find the optimal trade-off between transport and inventory costs (low transport costs being facilitated by large loads, low inventory costs by small loads); the need to arrange interfaces with other transport modes (given the growing popularity of intermodal transport); the co-ordination requirement between transport movements along multi-stage supply chains (a strong element of synchronisation being necessary to counter the tendency for inventory to accumulate and delays to grow exponentially); and the need to monitor the appropriate trade-off between the customer service goals of the firm and the cost of delivery.

The own-account firm may therefore see a need to consolidate the various dimensions of transport and logistical management under a unified management structure. This may be done internally, for example, through the establishment of a formal logistics function, or by outsourcing the appropriate logistical expertise (Razzaque and Sheng, 1998). For the own-account operator, each of these alternatives raises important issues.

(a) Managing logistics in-house

The first issue is that transport optimisation and logistical optimisation may involve different outcomes. Logistics takes into account a wider range of elements and entails a blending of these elements. In an organisation with a strong transport background and tradition, there may be difficulties in accepting what may appear to be compromise solutions and inferior performance levels.

A second and related issue is the cultural transition required from what is likely to have been previously a somewhat adversarial relationship between the key management functions of the firm -- production, marketing, transportation -- to one in which strong co-operation is expected in the search for win-win solutions. The scope of the logistics function embraces the entire value chain and the key management functions, and the individual parts become subservient to the needs of the whole. This may not always be easy for top management to accept.

A third issue is the gradual evolution which takes place in logistical management, from tactical solutions (finding ways of carrying out existing processes better, e.g. better transport management, more efficient warehouse utilisation) to strategic ones (in which the emphasis is on re-engineering the value chain -- for example, compressing the overall delivery cycle, reviewing the need for existing processes, considering new processes, etc.). This may have significant retraining implications for the firm's existing managers. To the extent that logistical management is based largely on expertise and the manipulation of electronic information rather than on asset-based infrastructure, there are considerable human resource development implications for the firm seeking to develop a superior logistics management function in-house.

(b) Outsourcing logistics expertise

For the firm seeking to outsource the necessary logistics expertise, there are some additional issues. One is the amount of trust entailed in handing over control of such a sizeable and strategically critical component of the firm's activity to an outside agency. The question of confidentiality is accentuated by the central role which information plays in logistical management and the likelihood that the outside agency may also be acting for other clients, who could include competitors to the

outsourcing firm. The agency will, however, point to the synergistic benefits which are passed on from its management of a portfolio of clients, including the opportunities to carry out regular benchmarking checks. It is, in any event, quite possible to outsource logistical expertise on a strictly confidential, single-client basis.

Another issue is the distinction between *asset-based* and *nonasset-based* logistics service providers (Sheffi, 1990). The former are defined as operators of owned or leased physical distribution assets that offer contract logistics services as a natural extension of their core businesses; the latter are management-based companies that generally do not own or lease physical assets but, rather, provide human resources and systems to professionally manage the shipper's logistics function (Africk and Calkins, 1994). Clearly, an own-account transport operator's primary interest, given it is already the owner of transport assets, will be in the concept of the non-asset-based logistics provider. Reservations about this option relate to the possibility of asset bias (where the scope of the logistics service provider is unduly restricted by the nature of the transport assets supplied by the own-account firm) and the extent to which the logistics provider might be permitted to deploy the own-account firm's transport assets on behalf of third parties.

6. THE FUTURE

There will be a role in the future for each of the various forms of own-account road transport, commercial road haulage and third-party logistics service provision discussed in this paper. The role of traditional own-account transport would seem, for instance, to be interwoven with the notion of vertical integration through ownership and control. While the limitations of this approach to vertical integration are known, there are still many business sectors which it suits – including utilities (where transport is related to the installation, repair and maintenance of infrastructure for distributing gas/electricity/water, etc.), emergency services, firms associated with special events, firms with specialised equipment (e.g. oil distribution), postal deliveries, waste/refuse collection, etc..

For the manufacturing firm or wholesaler interested in controlling its own physical procurement and distribution activities, own-account transport may make economic and strategic sense. In terms of the value chain, some rigidities are inevitable -- but these can be offset by measures such as vehicle leasing rather than ownership, the outsourcing of support activities and the hire-in of auxiliary vehicle capacity during short peak periods. For the own-account firm wishing to strengthen its logistical, as opposed to transport capabilities, the appropriate expertise can either be developed in-house or outsourced from a non-asset-based logistics service provider. In either event, the parent firm will need to manage its own transition from the narrower but well-defined transport perspective to the wider but all-encompassing logistics one.

Many firms nowadays prefer to concentrate on their core business and outsource their road transport services on a large scale. For a start, the own-account transport function can itself be largely outsourced: as was discussed earlier, the core expertise necessary within the parent firm pertains mainly to the organising and dovetailing of the various operational components, to ensure a level of transport service reliability and dependability normally associated with own account, but without the heavy resource and organisational commitment.

A second choice for the firm is to use the services of a commercial haulier. The modern haulier now offers many of the service elements previously associated with own-account transport, especially with regard to direct customer interface and order status tracking. The haulage vehicle can be engaged on a strictly short-term basis -- in which case the commitment covers a one-off delivery and some overhead costs associated with vehicle positioning may have to be born by the client, or on a calendar-time basis, in which case the haulier has opportunities to develop customer relations in the outward direction and build in back-haul traffic in the reverse direction.

A third choice is to engage a third-party logistics (3PL) services provider. The asset-based provider will tend to operate as a haulier, with its own vehicle fleet and a range of additional services such as warehousing, order processing and freight forwarding, which it supplies from its own resources. Effectively, the client is making a decision not to invest in these assets itself and to avail of the assets invested in by the 3PL provider. In the case of the non-asset-based 3PL provider, the emphasis is mainly on the skill with which other firms' assets are hired and deployed, including those of the client.

It is not possible, on the whole, to predict the market positions or market shares which each of these road transport choice variants will account for. Much will depend on the strategies and actions of individual firms, and these in turn will vary by industrial sector and also by geographical region in Europe. Two particular sectors warrant a special mention, however. The first is the FMCG/food retail sector. There are strong indications that this sector is particularly attractive to new electronic shopping technologies. It is possible that the volume of retail sales through electronic ordering channels may grow to the point that home deliveries become increasingly viable and may even bypass traditional shopping channels. A delivery pattern can be visualised in which the emphasis is on multiple pick-ups for a relatively small number of drop points (which could be individual households or neighbourhood drop points). This contrasts with the traditional multi-drop delivery pattern, in which goods are brought to a relatively large number of drop points from a small number of origins (Figure 5). Because of the large number of independent suppliers involved, it is difficult to envisage this type of home delivery service being carried out on an own-account basis. Instead, it seems more likely to provoke an entrepreneurial response within the commercial haulage sector.

The second sector for special mention concerns value-adding distribution (VAD). This term refers to situations in which some elements of production are carried out during or after completion of the distribution activity, in contrast with the more normal position pertaining today, in which distribution occurs after production has been completed. The circumstances favouring VAD are strongly strategic and are connected with (a) the growing technical feasibility of production *postponement* and (b) the growing market demand for individualised product design (*mass customisation*). While VAD is still regarded as in its infancy, there are indications that it may grow in importance as technology becomes more sophisticated and become a widespread feature of value chains. Because of its importance to the manufacturing firm's competitiveness, it is difficult to envisage VAD occurring on other than an own-account basis. Thus, to the extent that VAD becomes a feature of product value chains in the future, it is likely to involve a swing back to own-account transport.

In conclusion, therefore, the main prospects for road transport for own account in Europe appear to be the following:

- Traditional sectors particularly suited to vertical integration via ownership;
- Many manufacturing/wholesaling firms, where value chain control is important, but where the commitment to own-account transport may be lightened by leasing rather than owning the vehicles and outsourcing some support activities;
- Product value chains, featuring value-adding distribution.

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UNITED KINGDOM

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SUMMARY

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1. INTRODUCTION

Perhaps as a result of the dramatic increase in outsourcing that has been a feature of the past 15 to 20 years in transport, there has been relatively little attention paid to own-account operations in recent years. This is a significant omission because the role of own-account transport operations is an important one. It is also evident that the role of own-account transport is very varied and that the conditions under which it is carried out are very different from one European country to another. Of particular importance are questions concerning any restrictions placed on own-account operations. These restrictions take two main forms. The first concerns the prohibition on own-account operators carrying goods for hire or reward. The second type of restriction includes specific regulations applied to own-account operators, the details of which vary from country to country. These regulations include: limits on the size of vehicle that can be used by own-account operators when they need to hire a vehicle without a driver; whether a driver of an own-account vehicle has to be an employee of the company which owns the goods being carried; whether own-account operations include the right to carry goods belonging to subsidiaries or other related members of the same group of companies, and so on.

It can be argued that these restrictions inhibit the efficiency of own-account operations and also do nothing to reduce the environmental impacts of road transport. These are important issues and they raise questions of policy that need to be addressed at both European and national levels. In particular, it is important to question whether it is possible to improve the efficiency of own-account operations (and, by implication, of road transport generally) without relaxing the restrictions in such a way that they lead to a distortion of competition between own-account transport and hire-or-reward haulage or lead to a diminution in safety standards.

However, before these questions can be addressed, it is useful to assess the role played by own-account transport operations and to consider the extent of change and developments that have occurred. This paper begins by defining a number of important terms concerning own-account transport and the legislation that governs these operations. The paper then goes on to highlight trends in the road freight market within Europe. This is followed by a more detailed investigation of the key developments within the UK; this serves to raise questions about the changing role of own-account operations. Chapter 5 of the paper discusses organisation issues as they relate to own-account operations. The final part of the paper discusses at some length several scenarios relating to the regulation of road freight transport and explores how this could influence the efficiency of own-account operations and the implications of a variety of regulatory changes.

2. DEFINITIONS AND TRENDS

2.1. Definitions and legislation

A legal distinction is made between “hire-or-reward” and “own-account” road freight operations in most European countries. Hire-or-reward operations (also referred to as “for hire”, “professional haulage”, “public haulage” or “third-party” operations) are transport services provided on a “third-party” basis by road freight transport contractors. The hire-or-reward operator will, in many cases, carry goods belonging to a number of companies who pay the operator for this service.

Own-account operations (also referred to as “in-house” operations) are road freight transport activities carried out by the manufacturer, wholesaler or retailer of the goods themselves in their own vehicles. Own-account operations are typically subject to less stringent regulations and obligations than those placed on hire-or-reward operators. However, in return, own-account operators are prohibited from performing work for hire or reward.

The legal distinction between hire-or-reward and own-account operations, which is used in the licensing or registration of vehicles, can therefore be seen to be a matter of who is responsible for the transport of the goods in question; the person who produces, owns, works on or has borrowed the goods (own account), or a professional haulage contractor (hire or reward). The distinction between these two types of operation is also used in many countries for other purposes, including government data collection and freight industry market research and analysis.

It is important to recognise that within own-account operations there are two quite distinct categories of operation:

- (i) Operations in which the sole purpose of the vehicle activity is to transport goods from one place to another (e.g. from a factory to a distribution centre, or from a distribution centre to a retail outlet). This type of operation can range from a company or individual with a single vehicle, transporting small quantities of goods locally on an infrequent basis, to large companies with sizeable vehicle fleets of 100 vehicles or more, moving significant quantities of goods either nationally or internationally.
- (ii) Operations in which the primary purpose of the vehicle is to transport a craftsman, workman, engineer or other service provider (e.g. plumbers, carpenters, builders, etc.) and their necessary tools and equipment to their place of work. This type of operation will often involve the use of relatively small commercial vehicles, which can remain at the place where work is being carried out for long periods of time (sometimes many hours), unlike typical freight collections and deliveries. Although goods may well also be carried in the vehicle, this is not the sole purpose of the vehicle trip.

However, in general, both the above operations are considered to be own-account operations and are therefore treated in the same way for regulatory purposes.

Admission to the road haulage industry in EU Member States is covered by Directive 96/26/EC “On admission to the occupation of the road haulage operator”. This Directive details the conditions that must be met by operators wishing to enter the hire-or-reward sector; these are that the operator must be (i) of good repute, (ii) of appropriate financial standing and (iii) professionally competent.

However, according to Lowe (1998), the UK is the only EU Member State that insists on similar conditions for own-account operators, requiring them to be (i) fit and proper persons and (ii) of appropriate financial standing.

Own-account transport operations exist throughout Europe; however, the importance of own account varies from one country to another (see section 2.2.). The registration/licensing controls on own-account operations also vary from country to country. Some countries have a system of regulation that subjects own-account operators to both initial and periodic scrutiny of their operations, together with day-to-day traffic enforcement scrutiny. In others, the registration process may be more of a formality, with relatively limited scrutiny and a greater reliance on the use of day-to-day traffic enforcement to ensure compliance with regulations. In general, licensing controls are less stringent for own-account operations than for hire-or-reward operations. As a result, some regulatory authorities are keen to ensure that the goods being carried in own-account vehicles are not being carried for hire or reward. Therefore, in some countries there are either restrictions or bans on own-account operators using hired-in vehicles to be driven by their employees.

The majority of own-account operations in the EU are conducted at the local, regional or national level and are therefore governed by any national regulations regarding own-account operations. Some own-account operations are carried out at the international level (for example, a manufacturer moving its product between two of its distribution centres located in different countries); these own-account operations performed between EU Member States must comply with several conditions (for details of which, see section 6.1.). However, international own-account operations are relatively minor in terms of the total road freight work performed in the EU. In 1995 in the EU, domestic hire-or-reward operations accounted for 597 billion tonne-kilometres, domestic own-account operations accounted for 223 billion tonne-kilometres, international hire-or-reward operations accounted for 162 billion tonne-kilometres and international own-account operations accounted for 9 billion tonne-kilometres. Domestic own-account and hire-or-reward and international hire-or-reward operations all increased significantly in terms of tonne-kilometres performed between 1985 and 1995, while international own-account operations remained virtually unchanged (Scharf and Smolders, 1999).

2.2. Trends in own account and hire-or-reward transport in the EU

Some companies prefer to carry out own-account road freight operations on the grounds that they have certain specialised requirements or through a belief that the own-account operations can be carried out more cheaply. Two key reasons why hire-or-reward services may be preferred are that, firstly, they offer the opportunity to overcome industrial relations problems or peaks in demand which can sometimes occur in own-account transport service departments. Secondly, contractors providing hire-or-reward services are often better exposed to innovation than their in-house counterparts, making their services more cost effective. (The choice between own account and hire-or-reward operations is discussed in more detail in Chapter 3).

Another major factor which has an important bearing on the extent of contracting out is, of course, freight transport regulation and especially quantity restrictions. In countries where regulation is or has been strict, this serves to limit haulage capacity and own account may be the choice of more transport service users than in countries that have deregulated haulage sectors. Consequently, there are different levels of own-account operation in different European countries (see Tables 1 and 2).

Across the EU 15 own-account operations comprised 44 per cent of all goods lifted (measured in tonnes) and 26 per cent of all goods moved (measured in tonne-kilometres) in 1995. The difference in the relative importance of own-account operations for goods lifted and goods moved is explained by the greater average length of haul for hire-or-reward operations in comparison with own-account operations.

Tables 1 and 2 show that, with the exception of Italy and Portugal, there was a definite shift in relative terms away from own account towards hire-or-reward service in EU Member States between 1985 and 1995. Table 1 also shows that despite the fall in the importance of own-account operations in relative terms, the quantity of goods lifted by own-account transport between 1985 and 1995 continued to increase in absolute terms in some EU countries (namely, Germany, Italy, Luxembourg, United Kingdom, Greece and Portugal). In contrast, in other EU Member States such as France, the Netherlands, Belgium, Ireland, Denmark and Spain, the actual quantity of goods lifted by own-account operation fell between 1985 and 1995.

Table 1. Domestic road transport of goods in the EU (million tonnes)

	1985			1995		
	Own account	Hire or reward	Own-account share (%)	Own account	Hire or reward	Own-account share (%)
Germany	1 293.5	920.2	58.4	1 510.0	1 640.0	47.9
France	789.1	408.8	65.9	694.7	629.4	52.5
Italy*	351.6	489.4	41.8	527.1	553.0	48.8
Netherlands	128.5	210.2	37.9	108.2	283.6	27.6
Belgium	150.7	114.7	56.8	149.4	199.8	42.8
Luxembourg	10.2	0.9	91.9	22.7	5.7	79.9
UK	646.0	761.0	45.9	649.9	1 008.5	39.2
Ireland**	67.5	22.2	75.2	40.1	40.5	49.8
Denmark	65.0	134.9	32.5	47.0	129.0	26.7
Greece	79.5	78.9	50.2	81.3	98.0	45.3
Spain	244.6	668.7	26.8	145.1	443.1	24.7
Portugal	155.6	35.0	81.6	217.0	46.2	82.4
Austria	-	-	-	98.2	79.5	55.3
Finland	-	-	-	70.5	278.6	20.2
Sweden	-	-	-	52.1	291.1	15.2
EU	3 981.8	3 844.9	50.9	4 413.3	5 726.0	43.5

Note: * Data is for 1986, not 1985.

** Data is for 1993, not 1995.

Source: Adapted from Scharf and Smolders, 1999.

Table 2. Domestic road transport of goods in the EU (billion tonne-kilometres)

	1985			1995		
	Own account	Hire or reward	Own-account share (%)	Own account	Hire or reward	Own-account share (%)
Germany	42.4	56.2	43.0	72.1	146.3	33.0
France	33.2	45.9	42.0	29.7	82.8	26.4
Italy*	21.5	89.8	19.4	29.6	100.6	22.7
Netherlands	6.0	12.2	33.1	6.0	20.7	22.5
Belgium	5.6	4.8	54.4	6.6	12.0	35.5
Luxembourg	0.2	0	89.3	0.4	0.1	80.0
UK	33.4	67.1	33.2	38.2	108.5	26.0
Ireland**	2.5	1.2	65.9	1.6	2.5	39.0
Denmark	2.3	6.0	27.6	2.2	7.1	23.7
Greece	3.5	6.9	33.5	2.8	9.6	22.6
Spain	12.8	61.3	17.3	11.6	67.1	14.7
Portugal	6.2	1.4	71.5	7.9	3.2	71.2
Austria	-	-	-	4.7	2.7	63.5
Finland	-	-	-	2.2	19.6	10.1
Sweden	-	-	-	2.5	25.9	8.8
EU	169.7	352.8	32.4	218.1	608.7	26.4

Notes: * Data is for 1986, not 1985.

** Data is for 1993, not 1995.

Source: Adapted from Scharf and Smolders, 1999.

However, in the EU 12 (i.e. not taking Austria, Finland and Sweden into account, as 1985 data are not available for these countries), the actual quantity of goods lifted by domestic own-account operations rose by 5.3 per cent between 1985 and 1995 (see Table 3). But, importantly, growth in the quantity of goods lifted by domestic hire-or-reward operations was far more rapid over this period, rising by 32 per cent.

Table 3. Domestic road transport in the EU 12

	Goods lifted (million tonnes)			Goods moved (billion tonne-km)		
	Own account	Hire or reward	Total	Own account	Hire or reward	Total
1985	3981.8 (50.9%)	3844.9 (49.1%)	7826.7 (100%)	169.7 (32.4%)	352.8 (67.6%)	523.5 (100%)
1995	4192.5 (45.2%)	5076.8 (54.8%)	9269.3 (100%)	208.7 (27.1%)	560.5 (72.9%)	769.2 (100%)

Source: Adapted from Scharf and Smolders, 1999.

Turning our attention to some specific countries, France and the United Kingdom both have haulage markets which have become increasingly dominated by hire or reward over the past ten years or more. By contrast, in Germany, the share of own account and hire or reward remained remarkably stable until 1993 (58 per cent hire or reward, 42 per cent own account measured in tonne-kilometres). However, German deregulation in January 1994 has had an important impact on the structure of the road freight market, with a significant shift towards hire-or-reward services already apparent by 1995, when the share of hire or reward had risen to 67 per cent, while own account had declined to 33 per cent.

3. FACTORS INFLUENCING THE DECISION TO OUTSOURCE FREIGHT TRANSPORT OPERATION: THE CHOICE BETWEEN OWN ACCOUNT AND HIRE OR REWARD

3.1. Introduction

The shift in demand away from own account to hire-or-reward operations, as illustrated in section 2.2., is part of a larger desire to manage logistics activities in a different way in response to new pressures in supply chains. One result of this has been increased outsourcing of all activities perceived as non-core. That trend is being encouraged by financial motives, such as the reduction of costs and assets and managerial motives, such as lack of time to improve the required competencies as well as the necessity to be agile and flexible. As the report by the Holland International Distribution Council noted:

“Transportation is already widely outsourced and companies are now also increasingly outsourcing other activities such as warehousing and value adding operations. In this respect, recent industry surveys suggest European companies have advanced further along the path of using third-party logistics providers than North American companies and that the European market is quite mature (HIDC, 1998).”

Schary (1994) highlights the importance of transaction costs in the decision over whether to outsource logistics functions, since these costs emphasize the role and cost of co-ordination. As he suggests:

“The decision whether to perform logistics functions internally depends on the combination of negotiation, management (including co-ordination) and operation. The decision whether to use internal functions or outside organisations to perform part of the functions of the supply chain is determined by the combination of costs and the limits of management skill and specific knowledge. Using outside contractors in transport and warehousing provides examples of these decisions. Transport operations involve operating costs which are often lower for an external supplier.”

It is not surprising that if the costs of co-ordination and operation for outside agencies are low, there is a tendency to contract for them outside, because this conserves assets and provides flexibility.

3.2. The benefits of using hire-or-reward services

Several studies from the 1950s to the early 1980s considered why companies chose to operate own-account transport. In 1958, a survey of own-account operators in the UK, by the Traders' Road Transport Association, found that the most important reason given for operating an own-account fleet was speed and reliability of delivery, followed by the cost of the operation. A UK Ministry of Transport survey of transport managers in 1970 also found the speed of delivery to be the most important consideration. Other survey work in the UK by Cook (1967) and Westwood (1985) found that companies who operate own-account vehicles justify this choice on the basis of the control over the quality of service that this provides them with. Further support for the importance of issues of control and reliability can be found in Cooper (1978) and Foster (1978).

However, since the late 1970s, the quality of hire-or-reward operations has improved significantly and the range of services offered has expanded. Section 2.2. has illustrated the shift away from own-account operations towards the use of hire-or-reward services that has taken place in the road freight industry. Many factors have encouraged manufacturers, wholesalers and retailers to switch to the use of hire-or-reward services and thereby externalise their road freight operations. These include:

- Standards of hire-or-reward services have risen and their efficiency has improved greatly, the specialist management skills and operational experience offered by third-party operators may result in improved services at lower costs. Many new services have also been developed;
- Financial conditions in the 1980s encouraged firms to concentrate capital investment in their core businesses and to pay for ancillary activities like distribution on a current cost basis;
- One less business variable to worry about. By subcontracting a portion of the business and ensuring that acceptable standards are built into the contract, senior management can focus their attention elsewhere, e.g. on marketing and strategy;
- Potential cost reductions, for example:
 - Shared use may give better utilisation of vehicles and warehouses leading to lower unit costs -- achieved by consolidating different customers' demands;
 - Specialisation of contractor may allow volume buying of vehicles, warehouses, mechanical handling equipment and systems;
 - Labour costs of a third-party operator may be lower;
 - Third-party companies may exist on a lower return on capital than that expected of major manufacturing and retailing companies;
- Flexibility in terms of short-term changes in locations, fleet mix, warehouse types and staffing levels. This allows retailers and manufacturers to be more responsive as market or customer needs change (e.g. during seasonal peaks);
- Avoids the need for investment in new equipment and premises;
- Tax structure -- for example, in the UK the 1984 budget provided incentives for not having own-account fleet through phasing out capital allowances and reducing in corporation tax;
- Proliferation of regulations relating to vehicle operations and product handling;
- Rapid rate of technological change;
- Overcoming internal industrial relations problems;
- Providing external back-up systems in event of strikes;
- Economies of scale: some own-account operations are too small to run economically;
- Reduced concern about potential problems from relinquishing control as a result of improvements in information and communications systems.

Some reasons are country-specific. For example, in the UK, purchase of third-party services may be shown “off balance sheet”, which improves profitability ratios and could be considered attractive. This, however, is not true of certain other European countries which have different accounting standards and practices and in which expected levels of company profitability are different to those in the UK.

Larger grocery retailers in the UK were among the first to realise the benefits from outsourcing part of their distribution activities. The growth of centralisation during the 1970s and 1980s stimulated the demand for third-party distribution services in the sector and established many of the distribution service providers as major companies in their own right. The close, long-standing relationships that have developed between the retailers and the distribution companies is argued to be one of the main reasons why the retail distribution activity of the major multiples is so effective (IGD, 1998).

However, the list of benefits from third-party distribution must always be weighed against the real or perceived loss of control. This may be one of the reasons why the UK grocery retailer, Tesco, which has developed considerable expertise in logistics, prefers to keep a significant proportion of its operation in-house.

3.3. Retaining own-account operations

Although the dominant trend since the 1980s has been towards the outsourcing of road transport and other logistics activities, many companies still choose to operate either all or part of their distribution operations in-house. Fernie (1990) has highlighted the main reasons for keeping some own-account distribution activities:

Cost issues:

- Operations at cost plus could be run more cheaply in-house, assuming other variables remain equal. This is because the third-party distribution company needs to make a profit on its operations;
- Switching costs will be incurred by contracting out, e.g. redundancy costs, asset disposals or write-offs;
- Monitoring and control of costs is easier when the distribution function remains in-house. Good information systems and clearly agreed service standards with the third-party operator may overcome this issue. However, most of the large multiple retailers still retain an in-house presence to provide a benchmark of costs and operations for their contracted distribution operations.

Control issues:

- The view is that, by having in-house distribution operations, the company will have more control over important customer service considerations such as delivery reliability and a degree of compatibility with other company activities and practices. Flexibility of operations is also seen as a possible advantage of retaining an in-house distribution function, where the loyalty of the distribution operation is not torn between several customers. Good information within the distribution function and a comprehensive agreement between contractor and client should overcome these problems.

Economies of scale:

- Many in-house operations are large enough to benefit from economies and derive a buying power over their suppliers similar to that enjoyed by the third-party specialists.

Innovation through specific expertise:

- Larger or specialist in-house operators can claim to have much more expertise in particular sectors than distribution specialists. For example, distribution of frozen foods or deliveries to special delivery locations.

The last two advantages (economies of scale and innovation) also appeared under the advantages of using third-party services, illustrating that it is not often a simple, clear-cut decision between own account and hire and reward. Indeed, as the next section shows, the two types of service can be viewed as complementary.

3.4. The complementary nature of own account and hire-or-reward services

Although own account and hire-or-reward operations are, in many cases, different and a clear distinction can be made between them, it is important to note that the two types of operation are complementary and are often used in conjunction with each other. Many companies, operating own-account services for the purpose of transporting goods from one place to another, supplement this with hire-or-reward services, either on an occasional or regular basis. There are several important advantages for companies supplementing own-account operations with hire-or-reward operations (McKinnon, 1989):

- Parallel distribution services can help to ensure no disruptions occur in supply of goods;
- Geographical expansion of a company's market can often be met more economically by a contractor than in-house, especially in early stages when sales in the new area are low;
- Diversification into products with different handling and marketing requirements can benefit from the use of a contractor with correct equipment and expertise;
- Companies with significant fluctuations in sales during the year can use contractors to meet demand during the peaks and operate own-account distribution throughout the year at a stable level;
- Partial use of contractors can help to provide the own-account operator with a benchmark against which to compare the own-account service.

4. A CASE STUDY IN THE UK

Although this paper is mainly concerned with issues of own-account transport in a European context, it is interesting to consider the developments that have occurred in a particular market where the effects of road freight deregulation have had thirty years to develop. A review of the developments in the UK market highlights the complexity of the role filled by own-account operations and also illustrates the business and commercial aspects of freight service developments,

whether they be own account or hire or reward. In addition, it shows the stages of changing regulation that have applied to this sector and provides some insight into whether changing regulations lead to significant change in the operations of own-account transport services.

4.1. Background

In the mid-1970s, two types of transport service dominated the UK freight transport and distribution marketplace, namely, general haulage services and own-account operations. Hauliers usually operated on a regional basis and provided services mainly to clients that were also based in that region. It was, at that time, relatively unusual for a haulier to have a national network of depots. The fleet of the larger own-account operations would, in many cases, provide an exclusive delivery service for the owner's business and vehicles would be either based at manufacturing plants or at depots located around the country (a large manufacturer could have had over sixty depots to service the UK).

In the 1980s, the UK market was characterised by a progressive handover of distribution responsibilities from the manufacturers' and retailers' own-account fleets to third-party specialist contractors. In many cases, the specialist contractor also took responsibility for the warehouse operations (although ownership of the warehouse may have remained with the retailer or manufacturer). La Londe and Cooper (1989) link growth in third-party services with deregulation of the transportation industry in the early 1980s. As Cooper and Johnstone (1990) argue, freight transport deregulation in the UK in 1968 was a prime factor in the development of more specialised distribution services, leading in time to dedicated contract distribution (which was used as a substitute for own-account transport). Indeed, they note that it is hard to resist the conclusion that increased specialisation of services (and a corresponding decline in common carrier work) is a shared consequence of deregulation in both the US and the UK.

4.2. Regulations

4.2.1. *History of own-account licensing*

Table 4 shows some of the key phases in the development of own-account transport licensing in the UK.

Table 4. **History of own-account licensing in the UK**

Year	Own-account licensing regulations
Pre-1933	No licensing of any goods vehicles (neither own account nor hire or reward).
1933	Four-tier licensing system for all goods vehicles introduced -- different licences for own account and hire or reward.
1970	1968 Transport Act leads to abolition of the 1933 licensing system. New “O” licensing system introduced. Only vehicles over 3.5 tonnes require licence. No distinction between own-account and hire-or-reward operations.
1977-1978	EEC Directive requires introduction of Certificate of Professional Competence (CPC) -- distinction between own-account and hire-or-reward operations introduced in “O” licensing system so that own-account operators do not require CPC.

Source: Based on Murphy, 1972 and Foster, 1978.

4.2.2. *Operator licensing*

Operator licensing (“O” licensing) is the regulatory control system introduced by the UK Government as a result of the 1968 Transport Act to ensure the safe and legal operation of most goods vehicles in Great Britain. While other individual aspects of legislation also apply to such vehicles, the “O” licensing system provides the overriding control of road freight transport operations. Under the current licensing scheme, trade or business users of most goods vehicles over 3.5 tonnes maximum permissible weight must hold an “O” licence for such vehicles, whether they are used for carrying goods in connection with the operators’ trade or business as an own-account operator or are used for hire-or-reward haulage operations.

There are currently three types of “O” licences, as follows:

1. *Restricted licences*: available only to own-account operators who carry nothing other than goods in connection with their own trade or business, which is a business other than that of carrying goods for hire or reward. These licences cover both national and international transport operations with own-account goods. Restricted “O” licence-holders must not use their vehicles to carry goods on behalf of customers’ businesses, even if it is done only as a favour or is seen as being part of the service provided to a customer and even if no charges are raised, such activities are illegal and could result in penalties.
2. *Standard licences (national operations)*: for hire-or-reward (i.e. professional) hauliers, or own-account operators who also engage in hire-or-reward operations, but restricted solely to national transport (i.e. operations exclusively within the UK). Own-account holders of such licences may also carry their own goods (but not goods for hire or reward) on international journeys.
3. *Standard licences (national and international operations)*: for hire-or-reward (i.e. professional) hauliers, or own-account operators who also engage in hire-or-reward carrying goods on both national and international transport operations.

It is important to recognise that own-account operators are freely permitted to apply for and obtain a standard licence if they wish to carry out hire-or-reward work in addition to own-account operations. Indeed, this is a feature of the operations of some large fleets which are mainly used for in-house work but where the operators are able to carry other firms' goods, should they so wish.

It is also important to note a point relating to definitions. Functionally, an in-house fleet and an own-account operation will often be the same thing and the terms are often used interchangeably. However, in the UK, it is possible that an in-house fleet used perhaps exclusively for own-account operations would, in fact, be recorded in the government statistics as a hire-or-reward operation. This would happen if the company concerned held a Standard Operator's Licence (a decision that may have been taken for reasons of maintaining options on operating flexibility). In addition, recent developments, such as the use of the retailers' fleet to collect from manufacturers after having made a delivery to a shop, place a premium on the flexibility of operation that comes from being able to carry goods that legally may be being carried for hire or reward.

In order to obtain an "O" licence, applicants must satisfy certain conditions specified in the regulations (see Table 5).

In addition to the specific requirements for each licence shown above, licence applicants and holders have to satisfy further legal requirements relating to the suitability and environmental acceptability of their vehicle operating centres, the suitability of their vehicle maintenance facilities or arrangements and their ability and willingness to comply with the law in regard to vehicle operating.

Many of the requirements necessary in order to obtain an "O" licence in the UK relate to the rules governing admission to the occupation of road haulage which apply throughout the EU. These rules require that entrants to the industry meet standards of good repute, financial standing and professional competence. In the UK, applicants needing to meet the professional competence requirement have to study for and take specialist examinations, which should involve at least 72 hours of direct teaching for the national examination and a further 30 hours of direct teaching for the international examination, in addition to private study.

Table 5 shows that the requirements for obtaining a restricted "O" licence (own-account licence) are less stringent than those for a standard licence (hire-or-reward licence), as a restricted licence does not require that the applicant demonstrate professional competence or, alternatively, that they must employ, on a full-time basis, a person who is professionally competent. Also, the scrutiny of the financial standing of companies or individuals applying for a restricted (own-account) "O" licence is not as stringent as it is for standard (hire-or-reward) "O" licence applicants.

It should also be noted that, as already mentioned, "O" licensing only applies to goods vehicles with a gross vehicle weight in excess of 3.5 tonnes gross vehicle weight. There are approximately 430 000 such goods vehicles currently registered in Great Britain. There are, however, a further 2.26 million goods vehicles of 3.5 tonnes gross vehicle weight or less currently registered in the UK. These vehicles do not require an "O" licence to carry out either own-account operations, hire-or-reward operations or both.

Table 5. **Conditions applying to operator licences**

Type of licence	Requirements for applicants
<i>Restricted licences</i>	Applicants must be: 1. Fit and proper persons 2. Of appropriate financial standing
<i>Standard licences (national transport operations)</i>	Applicants must be: 1. Of good repute 2. Of appropriate financial standing 3. Professionally competent, or must employ on a full-time basis a person who is professionally competent, in national transport operations.
<i>Standard licences (national and international transport operations)</i>	Applicants must be: 1. Of good repute 2. Of appropriate financial standing 3. Professionally competent, or must employ on a full-time basis a person who is professionally competent, in both national and international transport operations.

4.3. Current licensing data for the UK

Between 1980 and 1997, freight moved by own-account operators has remained fairly constant at around 36 billion tonne-kilometres, whilst freight moved by hire-or-reward operators has more than doubled from 55 billion tonne-kilometres in 1980 to 112 billion tonne-kilometres in 1997. Between 1996 and 1997, freight moved in Great Britain by own-account operators decreased by 1.6 per cent and freight moved by hire-or-reward operators increased by 2.9 per cent. Hire-or-reward operations accounted for 75 per cent of the freight moved by road in Great Britain in 1997 (DETR, 1998b).

As mentioned above, approximately 430 000 vehicles are specified on “O” licences in Great Britain. There are about 130 000 “O” licences, of which some 60 000 are restricted licences (i.e. own-account licences), 56 000 are standard national licences and 14 000 are standard international licences.

Table 6 shows the vehicle fleet size operated by own account and hire-or-reward operators in the UK. This illustrates that the vast majority of both own account and hire-or-reward operators operate 10 vehicles or fewer (94 per cent of own-account operators and 84 per cent of hire-or-reward operators). It also shows that there are far more own-account operators with only one or two vehicles than hire-or-reward operators (76 per cent of own-account operators compared with 44 per cent of hire-or-reward operators). Typically, own-account operators have fewer vehicles than hire-or-reward operators.

Table 6. Fleet size by number of licence holders

Vehicle fleet (number of vehicles)	Own-account operators (000s and %)	Hire-or-reward operators (000s and %)
1-2	30.0 (76.1%)	11.3 (43.7%)
3-5	4.4 (11.2%)	5.7 (22.0%)
6-10	2.6 (6.6%)	4.8 (18.5%)
11-25	1.3 (3.3%)	2.6 (10.0%)
26-50	0.6 (1.5%)	1.0 (3.9%)
51+	0.5 (1.3%)	0.5 (1.9%)
TOTAL	39.4 (100%)	25.9 (100%)

Source: Personal communication from Freight Transport Association, 1999.

Table 7 shows that almost half of all vehicles operated by own-account operators in Great Britain are between 3.5 and 7.5 tonnes gross vehicle weight (these are relatively small goods vehicles) and only 7 per cent of the vehicles used by own-account operators fall within the heaviest category of articulated goods vehicles (i.e. over 33 tonnes gross vehicle weight). Of all the goods vehicles between 3.5 and 7.5 tonnes gross vehicle weight operated in Great Britain, 82 per cent are registered to own-account operators. But, own-account operators are responsible for only 19 per cent of all the heaviest articulated goods vehicles operated in Great Britain.

By comparison, only 16 per cent of the vehicles used by hire-or-reward operators are between 3.5 and 7.5 tonnes gross vehicle weight, while 41 per cent of the vehicles used by hire-or-reward operators are within the heaviest category of articulated goods vehicles.

Table 7. Vehicle population in Great Britain, 1997

Type of vehicle	Own account - No. of vehicles	Hire or reward - No. of vehicles	Total No. of vehicles
Rigid -- 3.5 to 7.5 tonne gvw*	123 433	27 256	150 689
Rigid -- 7.5 to 17 tonne gvw	76 642	34 189	110 831
Rigid -- 17 to 25 tonne gvw	11 560	7 565	19 125
Rigid -- over 25 tonne gvw	16 085	14 570	30 655
Articulated -- 3.5 to 33 tonne gvw	12 242	16 469	28 711
Articulated -- over 33 tonne gvw	16 761	69 560	86 321
TOTAL	256 723	169 609	426 332

* gvw -- gross vehicle weight

Source: DETR, 1998b.

The data in Tables 6 and 7 suggest two important points that may be worth considering:

- (i) Those own-account operations in which the sole purpose of the vehicle activity is to transport goods from one place to another tend to be relatively small-scale (i.e. companies operating a limited number of small goods vehicles) and are probably locally-based operations;
- (ii) Those own-account operations in which the primary purpose of the vehicle is to transport a craftsman, workman, engineer or other service provider (e.g. plumbers, carpenters, builders, etc.) and their necessary tools and equipment to their place of work, may make up an important proportion of all own-account operations (this is suggested by the size of vehicles used by own-account operators; these small goods vehicles are exactly what would be expected for this type of use).

Having focused on the decision between operating an own-account fleet and using hire-or-reward services, the next section considers the issue of the relative efficiency of both types of operation and contains forecasts of the importance of own account.

5. ORGANISATIONAL ISSUES IN THE EU CONTEXT

5.1. Efficiency of own account and hire-or-reward operations

It has often been asserted that hire-or-reward vehicles are more efficient and better utilised than own-account vehicles because they are not limited in the work they can perform. In the UK, legislation was passed in the 1960s based, in part, on the assumption that own-account services were, by their very nature, less operationally efficient than hire-or-reward services. However, relatively little research has been carried out to investigate this assertion and to compare the efficiency of own account and hire-or-reward operations. Table 8 shows a range of activity data for the largest and the smallest vehicles operated by own account and hire-or-reward operators in Great Britain in 1997 (the smallest and largest weight classes have been chosen to provide a contrast in the type of operations concerned).

Table 8. Activity data for goods vehicles in Great Britain, 1997

	Own-account vehicles	Hire-or-reward vehicles
Average distance travelled per vehicle year by rigid vehicles 3.5-7.5 tonnes (kilometres)	26 000	49 000
Average distance travelled per vehicle year by articulated vehicles over 33 tonnes (kilometres)	88 000	101 000
Average goods lifted per vehicle year by rigid vehicles 3.5-7.5 tonnes (tonnes)	498	532
Average goods lifted per vehicle year by articulated vehicles over 33 tonnes (tonnes)	8 929	8 285
Average goods moved per vehicle year by rigid vehicles 3.5-7.5 tonnes (tonne-km)	26 000	57 000
Average goods moved per vehicle year by articulated vehicles over 33 tonnes (tonne-km)	849 000	1 191 000
Km run empty per year by all vehicles (%)	29%	28%

Source: DETR, 1998b.

From Table 8, it can be seen that:

- For both large and small vehicle sizes, hire-or-reward operators' vehicles travel far greater distances on average per year than own-account operators' vehicles (88 per cent more in the case of 3.5 to 7.5-tonne rigid vehicles and 26 per cent more in the case of articulated vehicles 33 tonnes and over);
- 3.5 to 7.5-tonne rigid vehicles operated by hire-or-reward operators lift 7 per cent more goods on average per year than own-account operators' vehicles in the same weight class;
- Articulated vehicles of 33 tonnes and greater, run by own-account operators, lift 8 per cent more goods on average per year than hire-or-reward operators' vehicles in the same weight class;
- 3.5 to 7.5-tonne rigid vehicles operated by hire-or-reward operators perform, on average, more than double the tonne-kilometres of own-account operators' vehicles in the same weight class per year;
- Articulated vehicles of 33 tonnes and greater, operated by hire and reward operators, achieve 40 per cent more tonne-kilometres on average per year than own-account operators' vehicles in the same weight class;

- For all vehicles (i.e. not only the weight classes featured in Table 8), hire-or-reward operators' vehicles run empty for 28 per cent of their annual kilometres travelled, compared with 29 per cent for own-account operators' vehicles (however, this measure of efficiency does vary according to vehicle weight -- see Table 9).

Table 9. **Goods vehicle empty running in Great Britain, 1997**

Type of vehicle	Own account (% of km run empty)	Hire or reward (% of km run empty)	Total (% of km run empty)
Rigid -- 3.5 to 7.5 tonne gv ^w *	27	22	26
Rigid -- 7.5 to 17 tonne gv ^w	26	26	26
Rigid -- 17 to 25 tonne gv ^w	30	39	35
Rigid -- over 25 tonne gv ^w	36	44	41
Articulated -- 3.5 to 33 tonne gv ^w	28	24	25
Articulated -- over 33 tonne gv ^w	34	27	28
TOTAL	29	28	28

* gv^w = gross vehicle weight.

Source: DETR, 1998b.

Taken together, the above points tend to suggest that hire-or-reward vehicles were generally better utilised than own-account vehicles in the UK in 1997 in terms of the distance travelled per year, the quantity of goods lifted and the number of tonne-kilometres performed. An exception relates to the average quantity of goods lifted per year by articulated vehicles over 33 tonnes, in which own-account vehicles were clearly superior in 1997 -- this may be due to the highly intensive use of these vehicles in some specialised industrial sectors). In some cases, the differences in these activity and utilisation rates for hire-or-reward and own-account vehicles are very great.

In addition, the total fleet of hire-or-reward vehicles is slightly more efficient than the entire own-account vehicle fleet in terms of empty running. However, when examined in closer detail, it can be seen that for some vehicle weight classes own-account vehicles perform fewer empty kilometres than hire or reward vehicles (see Table 9). Table 9 illustrates that:

- Own-account vehicles in the following weight classes were involved in a substantially greater proportion of empty running than hire-or-reward vehicles in the same classes: (i) 3.5 to 7.5-tonne rigid vehicles and (ii) over 33-tonne articulated vehicles. There are 140 000 own-account vehicles in these two size classes (55 per cent of all own-account vehicles) so the impact of this inefficiency could be substantial;

- Hire-or-reward vehicles in the following weight classes were involved in a substantially greater proportion of empty running than own-account vehicles in the same classes: (i) 17 to 25-tonne rigid vehicles, and (ii) over 25-tonne rigid vehicles (there are only a total of 22 000 hire-or-reward vehicles in these two size classes).

It is usually argued that the better utilisation of hire-or-reward vehicles is due to the fact that they are not restricted in the type of work they can perform, whereas own-account vehicles cannot carry other companies' goods and are therefore less able to achieve high levels of vehicle utilisation and efficiency. This means that it can prove more difficult for own-account operators to find goods to carry on the return leg of a journey. However, any differences in utilisation and efficiency could also be due to the characteristics of the products carried rather than the restrictive nature of their licence. Table 10 shows the goods carried in Great Britain by own account and hire-or-reward vehicles.

The table indicates that own-account vehicles are heavily involved in the transportation of food, ores, cement and petroleum. These are all categories of product which can prevent the vehicles which move them from being used to carry other goods (due to hygiene and safety regulations) and which, in the case of petroleum-related products, are usually moved in specialist tankers which are unsuited to other freight work. Therefore, it is feasible that, if the utilisation rates and efficiency of vehicles performing own-account operations are inferior to hire-or-reward vehicles, this is related to the nature of the product moved as well as the licensing restrictions applied to own-account operations.

Further work is clearly required before it is possible to make a definitive statement about the comparative utilisation and efficiency of vehicles used in own account and hire-or-reward operations. It would require a more extensive range of data than that available and shown in Table 8. This would include analysis of vehicle lading factors and vehicle empty running and lading factors by type of goods carried -- it would also need to take into account the point made earlier that some operations which are essentially in-house are recorded as hire-or-reward because of the licence held by the operator.

Table 10. Type of goods carried by goods vehicles in Great Britain in 1997

Commodity	Tonnes lifted (million)			Tonne-kilometres (million)		
	Hire or reward	Own account	All	Hire or reward	Own account	All
FOOD, DRINK & TOBACCO						
Agricultural	84	44	128	9 449	3 698	13 147
Beverages	33	18	51	4 847	1 406	6 253
Other food	89	74	163	13 430	7 991	21 421
Sub total	206	136	342	27 726	13 095	40 821
BULK PRODUCTS						
Wood, timber, cork	19	7	26	2 923	542	3 465
Sand, gravel, clay	82	36	118	3 856	1 062	4 918
Other crude minerals	162	48	210	7 241	1 418	8 659
Ores	9	17	26	888	860	1 748
Crude materials	9	8	17	1 519	617	2 136
Coal	32	5	37	2 540	156	2 696
Cement	41	28	69	1 866	999	2 865
Other building	55	32	87	6 451	1 802	8 253
Iron & steel products	45	10	55	6 861	1 020	7 881
Sub total	454	191	645	34 145	8 476	42 621
CHEMICALS, PETROL & FERTILISER						
Fertiliser	8	2	10	1 128	128	1 256
Petrol & petroleum products	34	39	73	2 943	2 815	5 758
Chemicals	44	10	54	7 011	1 227	8 238
Sub total	86	51	137	11 082	4 170	15 252
MISC PRODUCTS						
Other metal products	8	9	17	1 030	491	1 521
Machinery & transport Equipment	47	24	71	6 455	1 938	8 393
Miscellaneous manufactures	67	23	90	11 260	2 908	14 168
Miscellaneous transactions	177	166	343	20 477	6 307	26 784
Sub total	299	222	521	39 222	11 644	50 866
ALL COMMODITIES	1 045	600	1 645	112 175	37 385	149 560

Source: DETR, 1998b.

5.2. Forecasts of trends in own-account operations

As previously discussed, in the last ten years or more, in the majority of EU Member States, there has been a gradual shift away from own-account operations towards third-party road freight and distribution services. Research conducted in the UK suggests that those working in and connected with the road freight industry expect this trend to continue. The overwhelming majority of respondents participating in a 1997 survey expected hire-or-reward operators to be responsible for an even higher proportion of the total road freight moved by the year 2000, by which time they expected, on average, hire-or-reward operators to be moving 78 per cent of all road freight (Browne and Allen, 1997). Respondents also expected the relative importance of hire-or-reward operators to increase between the years 2000 and 2005, with hire-or-reward operators moving, on average, a forecast 82 per cent of all road freight in Britain by 2005.

Reasons given by respondents for this expected increase in the relative importance of hire-or-reward operations included: its purported greater efficiency and hence lower cost than own-account operations; the specialised nature of the services offered; the market coverage that hire-or-reward networks can provide; its flexibility; and the ability for customers to concentrate their minds and resources on core activities. It is, however, important to note that a number of respondents were of the opinion that, by 2005, the balance between hire-or-reward and own-account services will stabilize with little prospect of further shifts from own account to hire or reward in the UK.

Clearly, the extent to which own-account services decline in either relative or absolute terms in the coming years will vary from one country to another. However, the hire-or-reward sector is already relatively mature in the UK, and yet the respondents to this survey expect the relative importance of this sector to continue to increase up until 2005. This suggests that own-account operations in other countries may also become a smaller part of the total market over the next five to ten years.

6. FUTURE DIRECTIONS

6.1. Own-account registration/licensing issues

The system used for registering/licensing own-account vehicles in most EU Member States is currently organised so that vehicles over a certain gross weight (6 tonnes in most countries, 3.5 tonnes in the UK) require registration for this operation. Own-account registration/licensing tends to be less stringent than for hire-or-reward operations in terms of (i) there being no need for the owner or full-time employee to be able to demonstrate that they are professionally competent, (ii) the operator not having to meet the “good repute” criteria (except in the UK) and (iii) the scrutiny of the financial standing of companies or individuals applying for own-account registration/licensing being either less rigorous than for hire-or-reward applicants (the situation in the UK) or not applying at all.

At the European level, there are several differences and anomalies in the registering/licensing approach currently used in respect of own-account operations. These include:

- Some countries make no legal distinction between own account and hire-or-reward operations (Scharf and Smolders, 1999);

- Most countries do not explicitly require the own-account operator to be (i) of good repute and (ii) of appropriate financial standing;
- No country requires the own-account operator to demonstrate professional competence;
- The UK requires vehicles over 3.5 tonnes gross weight to be licensed compared with a more generally applied limit of vehicles over 6 tonnes gross weight in other countries.

There are several fundamental questions that can be posed regarding the rules governing own-account operations:

Why is it necessary to make a legal distinction between own account and hire-or-reward operations?

Several possible arguments can be advanced for the existence of this distinction including (i) that it would be unfair to expect own-account operators to have to bear the costs of demonstrating professional competence since they have no intention of carrying goods as a profession; (ii) that if own-account operators are permitted to operate without demonstrating such competence, it is necessary to prevent them from carrying out hire-or-reward work; (iii) historically, there has been a desire in many countries to limit the *number* of hire-or-reward operators and it was therefore necessary to prevent own-account operators carrying out hire-or-reward work.

However, it can also be argued that the distinction between own account and hire or reward has outlived its usefulness and that there is no good reason to continue to treat these operations differently. It is likely that many own-account operations, especially the larger ones, already employ members of staff who could demonstrate that they are professionally competent. The removal of this distinction would have administrative advantages for licensing/registration authorities, as they would only have to issue one type of licence. There was no distinction between own account and hire-or-reward licences in Britain for several years during the 1970s and no ill-effects were noted during this period. In addition, it could be argued that there would be scope for efficiency gains if the distinction were to be removed (see later discussion of Scenario 1).

Why is licensing only required for vehicles above a certain gross vehicle weight?

Two main arguments are usually put forward as to why only vehicles above a certain weight category require licensing/registration. The first argument is that small vehicles typically operate locally over relatively short distances, thus there may be no reason to suppose that this leads to unfair competition for professional hauliers or the railways. The second argument is that these vehicles do not pose a threat to the public and other road users in the same way that larger vehicles do. However, assertions about relative safety and risk are very difficult to demonstrate. Critics noted at the time of the licence changes in the UK that no evidence had been put forward to show a better safety record of smaller vehicles and therefore asked, “would it not therefore be consistent to extend this method (of qualitative licensing) to all vehicles?” (Walters, 1968). This second argument may still be pertinent today.

Not requiring vehicles below a certain weight to be licensed has the obvious advantage of reducing the number of goods vehicles needing registering and hence the administrative burden of achieving and enforcing this. In the UK, for example, there are currently 2.26 million goods vehicles of 3.5 tonnes gross vehicle weight or less which do not require an “O” licence. The licensing of all of these vehicles would be a time-consuming and expensive task but, if it could be shown that this would

result in improved operating and safety standards for these vehicles, it could be justified. If, on the other hand, it meant that enforcement and monitoring efforts were dissipated, then it may well be felt that there is a pragmatic justification for having a cut-off point at the existing weight level. In addition, it also has the benefit to the small van owner of not subjecting him to the bureaucratic controls and associated costs of the licensing/registration system.

Why are the vehicles (over 3.5 tonnes in the UK and over 6 tonnes in many other European countries) used by craftsmen, workmen, engineers or other service providers, to transport them and their tools and equipment to their place of work, treated in the same way for licensing purposes as vehicles used solely for the regular movement of goods?

It can be argued that vehicles used for this purpose should be exempted from the licensing requirements. They tend to travel far shorter distances and perform far less kilometres per year than vehicles used solely for goods transportation (since, for much of the day, they may be parked while work is carried out). A system could be considered whereby the onus is on the operator to prove that the vehicle is not used primarily for the movement of goods and then the vehicle would receive some form of exemption from the licensing system.

Should operators of large own-account fleets be treated in the same way as the operator of a single vehicle, used solely for their own day-to-day business requirements?

An extension of the question raised above is whether it is appropriate to treat all operators the same, regardless of size. There are clear differences between the functions and role of a large own-account fleet used to move goods on an intensive basis and that of a single vehicle used to make, say, local deliveries by a small retailer. Yet both are treated in the same way at present.

Why does the weight of vehicle which requires licensing vary between European countries and is there any logic for this to continue?

In an increasingly European economy, where borders have become less relevant for many industries including transport, it is reasonable to ask whether there should now be greater harmonization of regulations of this type or whether there are significant benefits in allowing national governments to determine regulations that suit their particular circumstances.

It has also been suggested that the conditions which must currently be met for own-account operations between EU Member States are also in need of revision (Scharf and Smolders, 1999). International own-account transport between EU Member States must, at present, meet five conditions:

- 1) The goods must be the property of the undertaking or must have been sold, bought, let out or hired, produced, extracted, processed or repaired by the undertaking;
- 2) The purpose of the journey must be to carry the goods to or from the undertaking or to move them, either inside the undertaking or outside for its own requirements;
- 3) Motor vehicles used for such carriage must be driven by employees of the undertaking;

- 4) The vehicles carrying the goods must be owned by the undertaking or have been bought by it on deferred terms or hired, provided that in the latter case they meet the conditions of Council Directive 84/647/EEC of 19 December 1984 on the use of vehicles hired without drivers for the carriage of goods by road;
- 5) Carriage must be no more than ancillary to the overall activities of the undertaking.

The IRU has stated that, out of these five conditions, the first and second should be left unchanged but that the others should be amended as follows:

- 3) Motor vehicles used for such carriage must be driven by employees of the undertaking or by hired personnel under the full responsibility of the undertaking in respect of the carriage involved;
- 4) The vehicles carrying the goods must be owned by the undertaking or have been bought by it on deferred terms or hired;
- 5) Own-account transport as self-service is a pure ancillary to the overall activities of the undertaking.

6.2. Possible future licensing/registration scenarios

In thinking about the questions posed in the previous section, it is helpful to consider a range of different scenarios regarding own-account registration/licensing that are possible and the likely consequences and implications of the scenarios. The scenarios considered are as follows:

Scenario 1: Minor changes to the existing definition of own-account transport to allow more flexibility for own-account international operations and to enable goods to be transported between subsidiaries of the same company (as described above, suggestions made in Scharf and Smolders, 1999).

Scenario 2: Requirement that all goods vehicles require licensing under the current systems (i.e. as own account or hire-or-reward operators) regardless of their weight.

Scenario 3: Allow vehicles used to transport workers and their tools and equipment to their place of work to be exempt from the own-account licensing system (i.e. they would no longer require own-account licences/registration).

Scenario 4: Complete removal of the distinction between own account and hire or reward for goods vehicles currently requiring licensing/registering. All these goods vehicles would be subject to similar requirements.

Scenario 5: Abolition of the distinction between own account and hire-or-reward licensing *plus* requirement that all goods vehicles require licensing regardless of their weight. All vehicles designed and used for the carriage of goods would then be subject to identical licensing requirements.

Scenario 6: Abolition of licensing/registration system for all goods vehicles.

Scenario 7: Redefine own-account operations so that the size of fleet is considered. Those companies operating more than one vehicle would be subject to the same licensing and other regulations, regardless of whether they carry for hire or reward or for own account. Operators of one vehicle used for their own business could apply for exemption from the regulations.

The likely positive and negative consequences of each of these scenarios are shown in Table 11.

Table 11. **The likely positive and negative consequences of each of these registration/licensing scenarios**

<i>Scenario 1 -- Minor changes to the existing definition of own-account transport for international work and allow for the transport of goods between subsidiaries of the same company</i>	
<u>Likely positive consequences of this change:</u> -- Allows companies to hire-in drivers -- this would lead to some internal efficiencies in operation for companies. -- More flexibility in own-account operations leading to better vehicle utilisation and reduced environmental impact.	<u>Likely negative consequence of this change:</u> Main negative consequence would be that it would reduce the market for hire-or-reward services. The extent of this as a problem is unclear.
<i>Scenario 2 -- Requirement that all goods vehicles require licensing under the current system (i.e. as own account or hire-or-reward operators) regardless of their weight</i>	
<u>Likely positive consequences of this change:</u> -- Improvements in the professional competence, financial standing and good repute of small goods vehicle operators. -- Improvement in safety of operation of small goods vehicles.	<u>Likely negative consequences of this change:</u> -- Additional costs and work required to demonstrate professional competence. -- Administrative work and cost involved in issuing so many more licences/registrations. -- Additional work involved in ensuring enforcement of the system -- if there were insufficient resources then this could lead to a worsening in the overall safety of operation of the road freight industry.
<i>Scenario 3 -- Allow vehicles (over 3.5 tonnes in UK and over 6 tonnes in many other European countries) used to transport workers and their tools and equipment to their place of work, to be exempt from the own-account licensing system (i.e. they would no longer require own-account licences/registration)</i>	
<u>Likely positive consequence of this change:</u> Reduction in administrative burdens for companies and individuals using vehicles for this purpose.	<u>Likely negative consequence of this change:</u> Could prove difficult to administer -- in terms of establishing who should be exempted.

Scenario 4 -- Abolition of the distinction between own account and hire or reward for goods vehicles currently requiring licensing/registering (i.e. those above a certain weight threshold). All these goods vehicles would be subject to identical licensing requirements

Likely positive consequences of this change:

- Less work and cost to administer the system.
- No need to enforce distinction between own account/hire or reward any more -- cost and resource benefits.
- Vehicle utilisation and efficiency gains for some own-account operators who now also carry out hire-or-reward work – could reduce total number of trips necessary and hence vehicle impacts.
- All goods vehicles can compete on an equal basis.
- Improvements in repute, financial standing and professional competence of former own-account operators -- potential public safety benefits.

Likely negative consequences of this change:

- Possible increase in competition for hire-or-reward work, as own-account operators can compete since they would be free to carry for others. The extent of this would vary considerably depending on the structure of the road freight sector in particular countries and according to previous patterns of regulation.

Scenario 5 -- Abolition of the distinction between own account and hire-or-reward licensing plus requirement that all goods vehicles require licensing regardless of their weight (i.e. including smaller vehicles below a certain weight threshold). All goods vehicles are now subject to identical licensing requirements

Likely positive consequences of this change:

- All goods vehicles can compete on an equal basis.
- Reduction in number of operators, as some operators of small vehicles judged unsuitable for financial or reputation reasons.
- Improvements in professional competence, financial standing and good repute of small goods vehicle operators.
- Improvement in safety of operation of small goods vehicles.
- Vehicle utilisation and efficiency gains for some own-account operators who now also carry out hire-or-reward work -- could reduce total number of trips necessary and hence environmental impacts.
- No need to enforce own account/hire-or-reward distinction anymore -- cost and resource benefits.
- Simplification of the licensing system (only one type of licence).

Likely negative consequences of this change:

- Additional costs and work to demonstrate professional competence for operators of small goods vehicles.
- Administrative work and cost involved in issuing so many more licences/registrations.
- Additional work involved in ensuring enforcement of the system.

Scenario 6 -- Abolition of licensing/registration system for all goods vehicles	
<u>Likely positive consequences of this change:</u> --All goods vehicles can compete on an equal basis. --Vehicle utilisation and efficiency gains for some own-account operators who now also carry out hire-or-reward work -- could reduce total number of trips necessary and hence vehicle impacts. --No need to administer licensing system at all -- cost and resource benefits. --No need to enforce licensing system at all -- cost and resource benefits.	<u>Likely negative consequences of this change:</u> -- Possible increase in competition for hire-or-reward work -- as own-account operators can compete -- or work that was previously restricted to hire-or-reward operators. -- Operating standards in hire-or-reward work may deteriorate over time -- due to lack of professional competence training. -- Good reputation and financial stability of previously licensed operators may deteriorate over time.
Scenario 7 -- Redefine own-account operations so that the size of fleet is considered. Those operating more than one vehicle would be subject to the same licensing and other regulations, regardless of whether they carry for hire or reward or for own account. Operators of one vehicle used for their own business could apply for exemption from the regulations	
<u>Likely positive consequences of this change:</u> --No increase in the burden on small firms and individuals. --Reduced burden on licensing system since many very small operations would be exempt. --Greater clarity of scope for large in-house fleets to carry goods for others -- leading in turn to reduced environmental impacts and greater business efficiencies.	<u>Likely negative consequences of this change:</u> -- Possible increase in competition for hire-or-reward work -- as own-account operators may be drawn into competing for business. -- Difficulty in defining grounds for exemption may mean that the reduced burden on the licensing system is not achieved. -- Difficulty to enforce and prevent illegal operations if single vehicle operators seek to avoid regulation and then in fact carry for others.

6.3. Closing remarks

Discussion of the issues surrounding own-account transport in Europe highlights a variety of tensions. For example, the tension between:

- Reducing the administrative burden on companies and individuals and yet maintaining (or improving) safety standards within an industry;
- The efficiency gains that could be made by granting greater freedoms and the need to ensure that different industry sectors are treated fairly;
- The benefits of rules that are the same in all European countries and the costs imposed if these rules are not appropriate for reasons of the historical development of regulation in a particular country.

Despite these tensions and difficulties, it is the case that changes to the regulations applying to own-account transport could lead to greater clarity of purpose and could produce some improvements in operating efficiencies and, by implication, reduce environmental impacts. However, before these changes were made, there would be a need for further research to identify the scope and extent of the benefits and to identify more closely the negative implications of change. These two areas -- the scope for and implications of change -- are summarised below and form the conclusions to this paper.

There are four areas where change should be considered. First, it is necessary to question whether there is any longer any benefit in treating hire or reward and own account in different ways for national and international transport. While there may be a sound argument to try to find a way to reduce to a sensible minimum the burden on small firms using goods vehicles primarily to carry out activities such as building and so on, there does not seem to be any clear logic in applying a different set of rules to the large own-account operator and the large firm operating for hire or reward. It is apparent that there is no functional difference between the own-account fleet of a large retailer and the fleet operated for that same retailer by a contractor (yet the two fleets are potentially treated in separate ways). However, in the pursuit of greater efficiency for own-account operations, the rules applying to this sector should not simply be further relaxed -- it is important to find ways to ensure that both types of operation are controlled in the same way and that the standards expected of both types of operator are the same. In this way, the efficiency gains that could be achieved by granting more freedom to large in-house fleets would not be at the expense of unfairly applying regulation to the hire-or-reward sector.

Secondly, further thought needs to be given to whether the rules applying to own account and hire or reward should be the same in different countries. Deregulation of the road haulage sector has now been widely pursued across Europe and it would be timely to consider whether the differences in the rules applied to own-account transport at a national level could be in some way harmonized. This will be a significant challenge because, for each country, there is an intricate and separate history of regulation applying to the distinction between own account and hire-or-reward operations.

Thirdly, there needs to be a review of whether it is possible to find a distinction that is based on the functional differences between own-account operations when the vehicle is really being used as a tool of the job (e.g. by a builder) and when the vehicle is used primarily for the carriage of goods. In the former case, it may well still be considered appropriate that there is a less stringent policy towards licensing or registration while, in the latter case, it may be considered desirable to treat these operations in the same way as those carried out for hire or reward.

Finally, it may be appropriate to revisit the question of the vehicle weight at which regulations apply to both own account and hire and reward operations. It may well be desirable to try to align this weight limit and this should be given attention. However, there may well be sound pragmatic reasons why regulations cannot be applied to small goods vehicles and it would be desirable to identify and specify these reasons and to address the consequences of (i) not aligning the weight limits applicable for regulations across different countries and (ii) changing weight limits in order to include a greater proportion of smaller vehicles used to carry goods.

In order to consider these issues, there is a corresponding need for research to identify whether important efficiency gains could be achieved if own-account operators were able to carry for others. Interestingly, during the period from 1970-77, own-account operators in the UK were able to carry for others if they so desired. All the evidence at the time (Bayliss, 1973; Cooper, 1978; Foster, 1978) suggests that, although there were specific examples of substantial operations for hire or reward by own-account operators, the overall level of carriage for others by own-account operators was not great. The main reason put forward for this was that own-account operators' in-house requirements are a first priority and must not be jeopardised. There is also a need for research into whether the requirement to demonstrate professional competence does in fact maintain and improve the safety and quality of operations and whether there is a need for further strengthening of this area over and above those changes that will come into effect in late 1999.

If it is not possible to make progress in a constructive way on the points mentioned above, it is important to attempt to move towards a system in which own-account operators are freely permitted to carry out hire-or-reward work in addition to own-account operations, should they so wish, providing that they meet all the requirements associated with hire-or-reward operations.

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OTHER CONTRIBUTIONS

During the Round Table, several participants submitted written contributions. These contributions are reproduced below as complementary information.

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ITALY

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ROAD FREIGHT TRANSPORT FOR OWN ACCOUNT IN ITALY

SUMMARY

1. This paper aims at integrating the information presented in Prof. Browne's and Dr. Smolders' reports on road freight transport for own account, as far as the Italian market is concerned. This is done by means of:
 - 1.1. Quantitative data resulting from recent surveys carried out by the National Institute for Statistics (ISTAT), outlining road transport developments in Italy in 1997 and 1998;
 - 1.2. Other national sources concerning urban road freight mainly using less than 3.5 GVW vehicles;
 - 1.3. Consultations with own-account transport operators on the needs, problems and opportunities of own-account transport in Italy.

DEFINITIONS

2. The data presented below concern the activity and product of vehicles registered in Italy for own-account transport. The ISTAT data include information regarding over 3.5 tonnes GVW only.
3. The general considerations at the end of this paper are the result of consultations with different actors operating in the road transport sector, including national own-account and professional haulage operators and associations.

RECENT DATA ON MARKET STRUCTURE AND TRENDS

4. Own-account transport moved 379.5 million tonnes in 1998 in Italy (+3 per cent on 1997) and produced 28.2 billion tonne-kilometres (+8.4 per cent on 1997). The average distance of own-account travel was 74.3 km (+5.3 per cent on 1997) (Table 1).
5. Considering the region of vehicle registration, the northern part of the country moved more than 65 per cent of tonnes and 62 per cent of tonne-kilometres of total domestic own-account transport. This figure is comparable, but higher, than the one for professional haulage (Table 1).

6. The share of own-account transport on total freight movements in 1998 was 30.9 per cent of tonnes (-3.4 per cent on 1997) and 14.7 per cent of tonne-kilometres (-2.3 per cent on 1997). In international transport this share was, respectively, 7 per cent and 3.1 per cent (Table 1).
7. There is a clear trend showing a decline in the own-account transport market share from 1995 to 1998. In terms of tonnes, this was 36.7 per cent in 1995 and 30.9 per cent in 1998 (Figure 1).
8. The same can be said for own-account transport volumes. However, in 1998, the total volumes of own-account transport increased on 1997 by 3 per cent in terms of tonnes and 8.4 per cent in terms of tonne-kilometres (Figure 2).
9. If we consider the split of total flows by class of distance (1997), the following can be said:
 - 9.1. The own-account transport share for local movements (under 50 km) is 46.6 per cent of tonnes and 43.4 per cent of tonne-kilometres;
 - 9.2. The share progressively declines when the distances increase.
10. 58.7 per cent of own-account transport carries NST/R 6 class products (building materials and crude minerals). Taking into account only journeys under 50 km, this share is 69.4 per cent (Table 2).
11. An estimation of the load factor of own-account transport by type of vehicle has been calculated in a survey carried out in the city of Parma (1994), including all the goods vehicles operating in urban freight distribution. The load factor increases when the GVW increases, from 7 per cent of cars to more than 90 per cent of articulated trucks. The most used vehicles in urban distribution activities (vans and light trucks) have very low load factors (respectively, 22 per cent and 16 per cent) (Table 3).
12. Another survey carried out in the city of Bologna (1995) shows that the major part of own-account vehicles (43 per cent) has a load factor between 0 and 25 per cent of the vehicle capacity. This share is higher for vehicles used for deliveries to pharmacies (69 per cent) and bars (59 per cent). Only 31 per cent of vehicles travels with a full or quasi-full load factor (Table 4).
13. Another characteristic of own-account deliveries in urban areas is their strong time and spatial concentration (Figure 4).

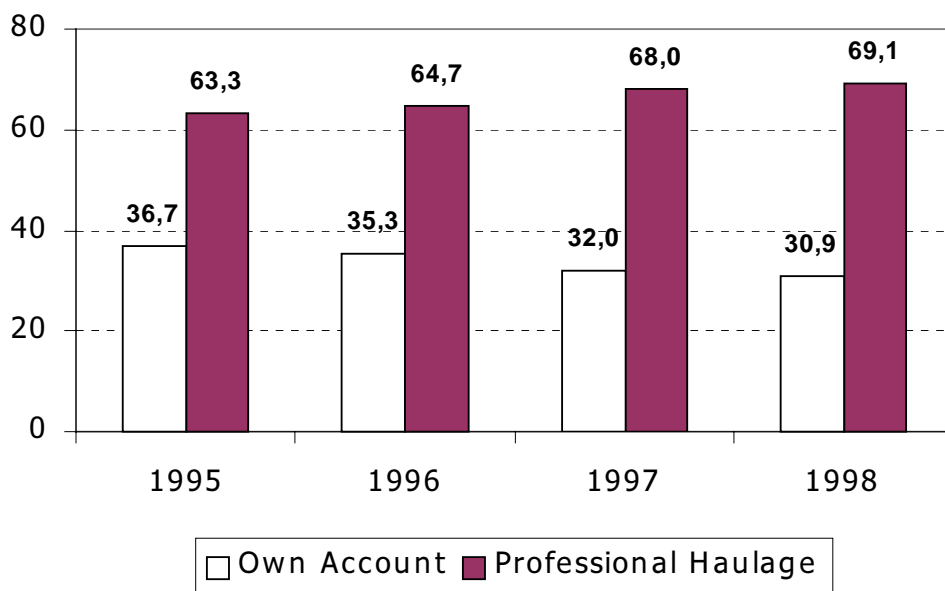
Table 1. Volumes of Own-account Transport in Italy in 1997 and 1998

OWN-ACCOUNT TRANSPORT									
Geographical areas	1997			1998 (a)			% Change 1998/1997		
	Tonnes (ml)	Tkm (ml)	Average km	Tonnes (ml)	Tkm (ml)	Average km	Tonnes (ml)	Tkm (ml)	Average km
North-West	131.9	8.295	62.9	135.4	9.075	67.0	2.7%	9.4%	6.6%
North-East	107.0	7.506	70.1	113.1	8.223	72.7	5.7%	9.6%	3.6%
Centre	52.1	4.026	77.3	53.1	4.413	83.1	1.9%	9.6%	7.5%
South & Islands	76.8	5.859	76.3	77.1	6.148	79.7	0.4%	4.9%	4.5%
TOTAL DOMESTIC	367.8	25.686	69.8	378.7	27.859	73.6	3.0%	8.5%	5.3%
International	0.7	314	422.6	0.8	323	399.8	8.7%	2.9%	-5.4%
TOTAL	368.5	26.000	70.5	379.5	28.182	74.3	3.0%	8.4%	5.3%
PROFESSIONAL HAULAGE									
Geographical areas	1997			1998 (a)			% Change 1998/1997		
	Tonnes (ml)	Tkm (ml)	Average km	Tonnes (ml)	Tkm (ml)	Average km	Tonnes (ml)	Tkm (ml)	Average km
North-West	256.6	43.507	169.6	279.7	48.526	173.5	9.0%	11.5%	2.3%
North-East	258.2	42.505	164.6	280.3	47.866	170.8	8.6%	12.6%	3.7%
Centre	136.5	25.163	184.3	147.8	28.469	192.6	8.3%	13.1%	4.5%
South & Islands	123.0	26.651	216.7	131.7	29.244	222.1	7.1%	9.7%	2.5%
TOTAL DOMESTIC	774.3	137.826	178.0	839.5	154.105	183.6	8.4%	11.8%	3.1%
International	10.4	9.528	913.1	10.8	9.967	923.2	3.5%	4.6%	1.1%
TOTAL	784.7	147.354	187.8	850.3	164.072	193.0	8.4%	11.3%	2.8%
OWN ACCOUNT AS % OF TOTAL HAULAGE									
Geographical areas	1997		1998 (a)		% Change 1998/1997				
	Tonnes (ml)	Tkm (ml)	Tonnes (ml)	Tkm (ml)	Tonnes (ml)	Tkm (ml)			
North-West	34.0%	16.0%	32.6%	15.8%	-3.9%	-1.6%			
North-East	29.3%	15.0%	28.7%	14.7%	-1.9%	-2.3%			
Centre	27.6%	13.8%	26.4%	13.4%	-4.3%	-2.7%			
South & Islands	38.4%	18.0%	36.9%	17.4%	-3.9%	-3.6%			
TOTAL DOMESTIC	32.2%	15.7%	31.1%	15.3%	-3.5%	-2.5%			
International	6.6%	3.2%	7.0%	3.1%	4.8%	-1.6%			
TOTAL	32.0%	15.0%	30.9%	14.7%	-3.4%	-2.3%			

(a) Provisional data.

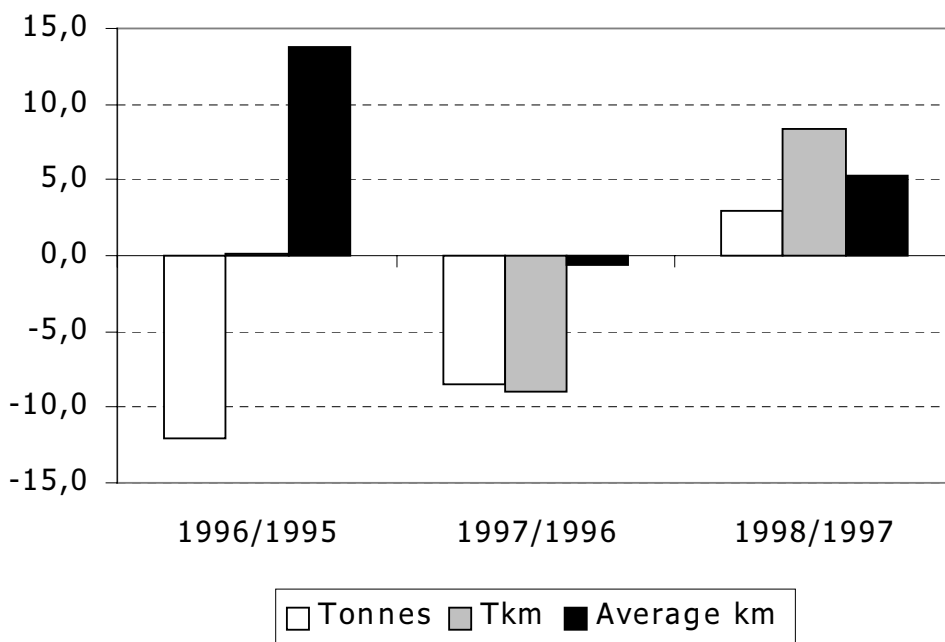
Source: ISTAT.

Figure 1. Share of Own-account and Professional Haulage in Italy (Tonnes)



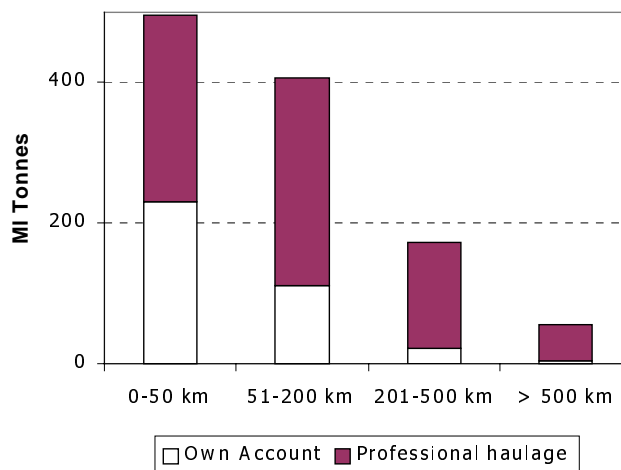
Source: Istat, 1998.

Figure 2. Annual Changes in Own-account Transport in Italy 1995-98

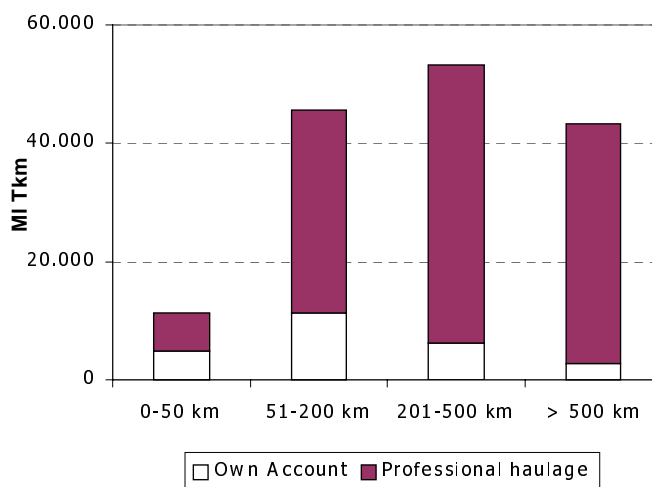


Source: Istat, 1998.

Figure 3. Shares of own-account and professional haulage by classes of distance (1997, tonnes and tkm)



TONNES 1997	Own Account	Professional haulage
0-50 km	46.6%	53.4%
51-200 km	27.5%	72.5%
201-500 km	12.2%	87.8%
> 500 km	5.8%	94.2%
Total	32.5%	67.5%



TKM 1997	Own Account	Professional haulage
0-50 km	43.4%	56.6%
51-200 km	25.0%	75.0%
201-500 km	11.6%	88.4%
> 500 km	6.3%	93.7%
Total	16.4%	83.6%

Table 2. Tonnes by NST/R classes and distances

Thousand tonnes by NST/R classes - Total											
	0	1	2	3	4	5	6	7	8	9	Total
Own Account	38.4	27.4	0.1	15.2	5.6	21.2	215.3	2.1	13.0	28.6	366.9
Professional haulage	88.4	97.8	1.4	35.0	7.5	75.2	282.8	7.2	58.5	109.8	763.6
Total	126.8	125.2	1.5	50.2	13.1	96.4	498.1	9.3	71.5	138.4	1.130.5
Thousand tonnes by NST/R classes - 0-50 km											
Own Account	16.9	11.8	0.0	6.1	2.8	10.3	160.0	1.1	6.8	14.9	230.7
Professional haulage	23.5	17.6	0.3	7.4	2.2	16.5	160.5	1.3	13.0	22.2	264.5
Total	40.4	29.4	0.3	13.5	5.0	26.8	320.5	2.4	19.8	37.1	495.2
Thousand tonnes by NST/R classes - > 50 km											
Own Account	21.5	15.6	0.1	9.1	2.8	10.9	55.3	1.0	6.2	13.7	136.2
Professional haulage	64.9	80.2	1.1	27.6	5.3	58.7	122.3	5.9	45.5	87.6	499.1
Total	86.4	95.8	1.1	36.7	8.1	69.6	177.6	6.9	51.7	101.3	635.2
% by line and NST/R classes - Total											
Own Account	10.5	7.5	0.0	4.1	1.5	5.8	58.7	0.6	3.5	7.8	100.0
Professional haulage	11.6	12.8	0.2	4.6	1.0	9.8	37.0	0.9	7.7	14.4	100.0
Total	11.2	11.1	0.1	4.4	1.2	8.5	44.1	0.8	6.3	12.2	100.0
% by line and NST/R classes - 0-50 km											
Own Account	7.3	5.1	0.0	2.6	1.2	4.5	69.4	0.5	2.9	6.5	100.0
Professional haulage	8.9	6.7	0.1	2.8	0.8	6.2	60.7	0.5	4.9	8.4	100.0
Total	8.2	5.9	0.1	2.7	1.0	5.4	64.7	0.5	4.0	7.5	100.0
% by line and NST/R classes - > 50 km											
Own Account	15.8	11.5	0.0	6.7	2.1	8.0	40.6	0.7	4.6	10.1	100.0
Professional haulage	13.0	16.1	0.2	5.5	1.1	11.8	24.5	1.2	9.1	17.6	100.0
Total	13.6	15.1	0.2	5.8	1.3	11.0	28.0	1.1	8.1	15.9	100.0
% by column and NST/R classes - Total											
Own Account	30.3	21.9	4.8	30.3	42.7	22.0	43.2	22.6	18.2	20.7	32.5
Professional haulage	69.7	78.1	95.2	69.7	57.3	78.0	56.8	77.4	81.8	79.3	67.5
% by column and NST/R classes - 0-50 km											
Own Account	41.8	40.1	1.3	45.2	56.0	38.4	49.9	45.8	34.3	40.2	46.6
Professional haulage	58.2	59.9	98.7	54.8	44.0	61.6	50.1	54.2	65.7	59.8	53.4
% by column and NST/R classes - > 50 km											
Own Account	24.9	16.3	5.8	24.8	34.6	15.7	31.1	14.5	12.0	13.5	21.4
Professional haulage	75.1	83.7	94.2	75.2	65.4	84.3	68.9	85.5	88.0	86.5	78.6

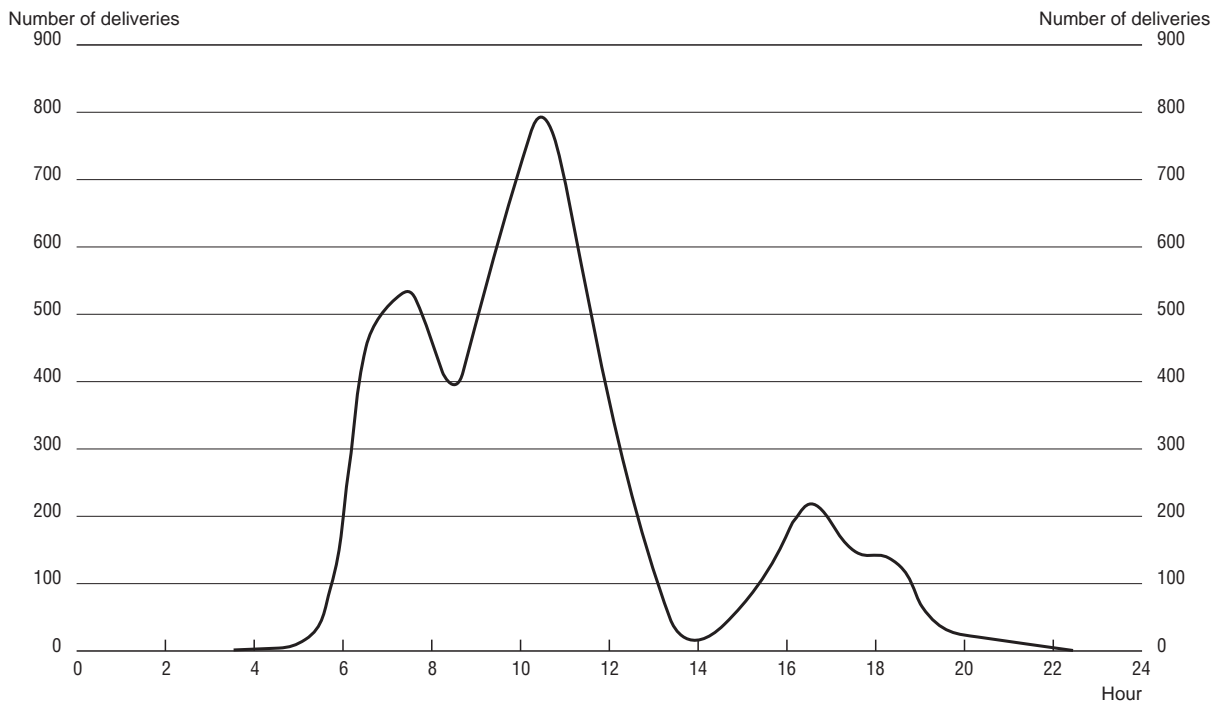
Table 3. Estimated load factor of urban own-account transport from a survey carried out in the city of Parma (1994)

Type of vehicle	Kg loaded (A)	Average estimated capacity (kg) (B)	Load Factor (A/B)
Two wheelers	2	20	10.0%
Cars	14	200	7.0%
Pick-up	82	300	27.3%
Van	433	2 000	21.7%
Light truck	1 401	9 000	15.6%
Medium truck	5 653	15 000	37.7%
Heavy truck	17 185	25 000	68.7%
Articulated	28 275	30 000	94.3%

Table 4. Load Factor of own-account vehicles in urban freight in Bologna (1995)

	0-25% of the vehicle capacity	26-50% of the vehicle capacity	Full or quasi-full load
1 - Food	29.7	31.3	39.1
3 - Clothing	51.4	29.7	18.9
4 - Furniture	50.0	21.4	28.6
5 - Pharmacies	68.8	0.0	31.3
7 - Other types of goods	45.2	24.6	30.2
8 - Bar	58.8	17.6	23.5
9 - Restaurants	50.0	50.0	0.0
Total	42.7	25.8	31.5

Figure 4. **Time distribution of deliveries in Bologna (1995)**



GENERAL CONSIDERATIONS

14. The rationalisation of own-account transport is a commonly agreed objective of transport policies. However, it is not always clear what is meant by "rationalisation".
 - 14.1. Several indicators can be used for measuring the transport efficiency for a given transport demand: number of vehicles in use, vehicle-kms, vehicle-hours, tonne-kms, load factors, transport prices, etc.
 - 14.2. Several economists say that, if the transport system is to be considered as an integrated component of the production and distribution process, even high numbers of trips with low load factors, if functional to the maximisation of the value chain, must be retained as effective in terms of the overall performance of transport services.
 - 14.3. It is nevertheless obvious that the optimisation of industrial processes is only one of a range of objectives underlying transport policy. It seems therefore natural to evaluate the performances of the transport system (including those of own-account transport) by means of a combined set of indicators.
15. Most own-account transport is carried out over short distances (under 50 kms) and in urban areas. The improvement in own-account transport is therefore strongly linked to the improvement in urban distribution systems. This means that a system approach is needed, taking into account regulatory measures as well as market developments and trends.

16. Some of the current market trends (outsourcing of transport and logistics, specialisation, globalisation of transport companies) will improve the overall performance of the transport system, both in terms of economic efficiency and in terms of reduction of negative impacts on the social and natural environments.
 - 16.1. A first point to be evaluated is the balance between benefits and costs of specific transport policies for own-account transport. In other terms, are the market trends going to solve the main problems of today's own-account transport? Is it really necessary to implement specific policies?
 - 16.2. As is well known, and as clearly shown in the three reports of this Round Table, not all the current own-account transport can be dramatically rationalised: transport of building materials, for example, represents about 60 per cent of the total own-account transport in Italy and it is very difficult to imagine strong improvements in this sector. Other segments where this improvement appears to be unlikely are: value-added distribution, transport of chemical products and fuels, etc.
 - 16.3. Starting from the optimistic assumption that about 25 per cent of total own-account transport (i.e. about 5-7 per cent of total transport in terms of tonne-kms) could be improved by a reduction of 20 per cent of vehicle-kms for the same quantity of goods moved, this would result in a reduction of about 1-1.5 per cent of the total vehicle-kms. Is this improvement going to justify the cost of changes?
 - 16.4. Furthermore, the cost of change in regulations should be evaluated not only in terms of administrative costs for the public administration, but also in terms of social consequences, conflicts with professional haulage, market turbulence, etc.
17. As stated in Prof. Browne's report, there is not any logic in applying a different set of rules to the large own-account operator and the large firm operating for hire or reward. On the other hand, it is clear that this will generate an increase in the costs of own-account transport.
 - 17.1. If own-account transport is required to respond to the same quality standards of professional haulage, is it possible to restrict its activities only to the carriage of own goods?
 - 17.2. For the same duties, is it not sensible to foresee the same rights?
18. The harmonization process of rules and regulations concerning own-account transport in the different EU countries appears to be necessary. However, it should be planned on a long-term basis, in order to avoid social conflicts (especially from the side of professional haulage) as a consequence of the change.
19. The need to distinguish own-account transport operations and activities where the vehicle is used as a tool of the job is real. However, vehicles with less than 3.5 tonnes GVW should be left outside any licensing system. For the larger vehicles also, it is in any case very difficult (and very expensive) to control the real vehicle operations.

POLAND

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A COMPARISON OF OWN-ACCOUNT ROAD TRANSPORT IN POLAND AND THE EU SHOWS SURPRISING DIFFERENCES

1. INTRODUCTION

That own-account transport and transport for hire or reward exist alongside each other is perfectly normal. Own-account transport has, of course, been with us much longer than professional haulage. It was not until the end of the 18th century that the occupations of merchant and haulier became two separate trades. Theoretically, in a market economy, one could expect that transport for hire or reward would present more advantages than own-account transport. It would be interesting to find out just how the economic reforms (restructuring and privatisation) in Central and Eastern European Countries (CEECs) have influenced the role played by both forms of transport. The role played by each becomes clearer when we analyse the share of goods transported by volume (tonnes) and by performance (tonne-kilometres). However, the results of the analysis will depend on the definition of own-account transport employed by the statistical services of the countries concerned. Where there is no official definition of the term, interpretations may differ widely. A study conducted by the IRU in 1996 found that existing legislation in the CEECs rarely contained a definition of “own-account transport”¹.

The role played by own-account road transport has changed in line with changing macro-economic factors and developments in the road transport sector. Government economic policy may also either encourage or hinder the sector’s development. For instance, at one point in the history of the countries of the former communist bloc, own-account road transport ceased to exist because it was thought to be uneconomic. The market economy and liberalisation seem to hold out new opportunities for the development of own-account road transport. Transport and distribution operations have become increasingly fragmented under the constraints of just-in-time delivery systems and this has given own-account road transport an advantage, since it is more flexible, often taxed at lower rates and is able to deliver anywhere. The situation differs from one country to another, yet nowhere has a dramatic increase in own-account road transport been observed. The fact remains that road transport for hire or reward has several advantages: its unit costs are lower (provided that operations are on a large scale), it can make more efficient use of vehicle capacity and of heavy goods vehicles, is able to offer a network of regular services (including express delivery), is better able to reduce empty running and can offer a range of different purpose-built vehicles.

2. CONCEPTS OF OWN-ACCOUNT TRANSPORT IN CENTRAL AND EASTERN EUROPEAN COUNTRIES – DIFFERENCES AND SIMILARITIES

From the semantic, legal and economic standpoint, concepts of own-account transport differ in Central and Eastern European countries. Often the concept does not appear at all in statistics and publications, which use other national synonyms.

However, we must make a clear distinction between this concept and other forms of transport used in the CEECs. Often, eastern-European terms for this type of transport have no equivalent in English or French. In publications and statistics, the classification systems divide road transport into the following types:

- Public and non-public transport;
- Internal and external transport (inputs and finished products);
- Hire or reward and own-account transport;
- Formally organised and ad hoc transport.

Implicit in each of these concepts are a number of sub-concepts that, again, differ from one country to another. The term “non-public” road transport can mean transport operations for the purposes of the in-house requirements of a firm that has the necessary vehicles or, equally, the provision of services for a limited group of users (one industry or group of economic agents in a given geographical area). Own-account transport may be formally organised (a department or establishment) within a company, but may also be on a casual basis. Internal transport is a concept that covers two types of operation, i.e. delivery of materials or semi-finished products during the production process (inputs) and all of the in-house transport operations (including semi-finished products) carried out by a firm without purchasing transport services from other firms. Since 1989, own-account transport has, at times, simply been regarded by the CEECs as a somewhat abstract, catch-all concept: the same vehicles generally used for own-account transport are often also used for services for hire or reward.

In 1995 in the CEECs, own-account road transport was defined as follows²:

- Slovakia: Own-account transport designates transport operations carried out by private individuals or corporate bodies licensed to conduct a business or other activity for the purposes of enabling the conduct of that activity and moving articles that have been produced or distributed.
- Hungary: Own-account transport occurs where the vehicle is used solely by its owner in connection with the production of goods or adding value to products that remain an integral part of the production activity.
- Czech Republic: Own account transport is transport that enables a firm to conduct its activity within a specially regulated framework.
- Croatia: Own-account transport designates the movement of products and people by firms in the course of their normal activity.

- Poland: Own account transport refers to transport carried out by the firm for its own needs (rarely for the needs of others), transport assured by establishments whose main activity is not transport service provision.

Since 1990, in most of the CEECs, differences in the treatment of own-account and transport for hire or reward arising from the legal status of each appear to have been reduced or eliminated. Hence, differences in the fuel prices charged to state-owned firms and private firms have been eliminated, taxes on vehicle ownership and operation have been standardized and highway codes apply equally to own-account road transport and road transport for hire or reward.

3. TRENDS IN ROAD TRANSPORT IN POLAND 1985-1999

Poland's transition has been marked by the restructuring of industries and sectors. In the transport industry, the share of the road transport sector – which is also undergoing internal restructuring – has increased substantially. The trends illustrated in Figures 1 and 2 and Table 1 are based on official statistics of the Polish Central Statistical Office (GUS).

Figure 1. Total freight transport in Poland (million tonnes)

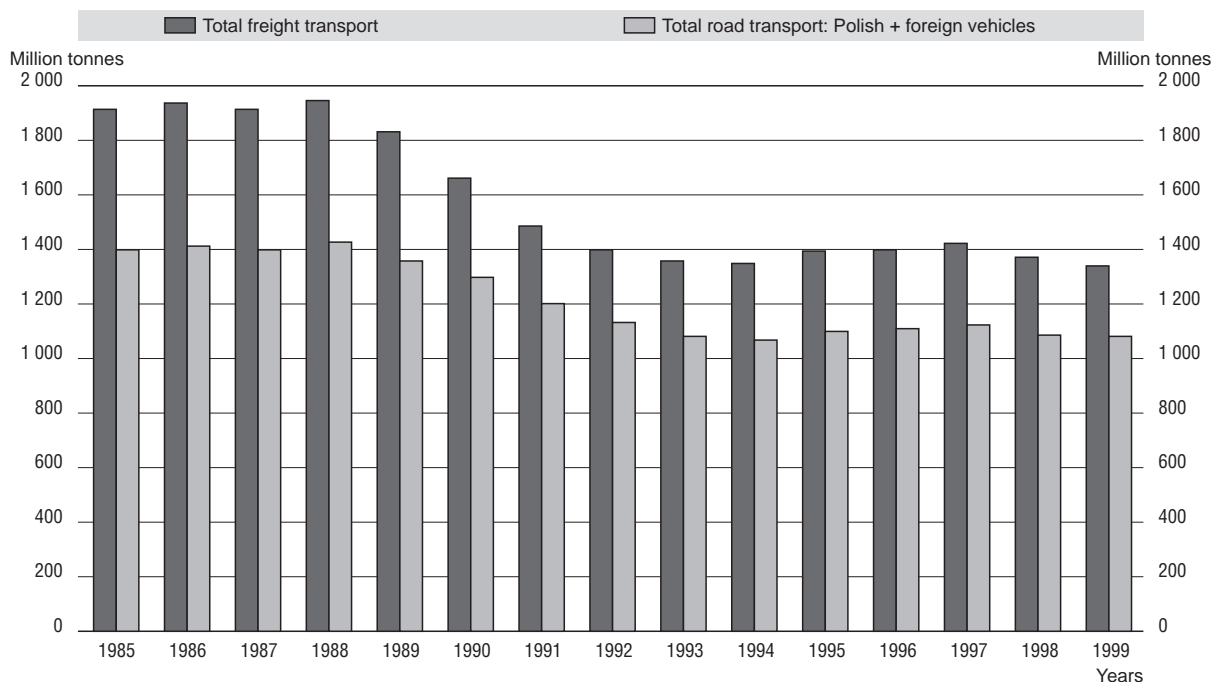


Figure 2. Total freight transport in Poland (million tonne-km)

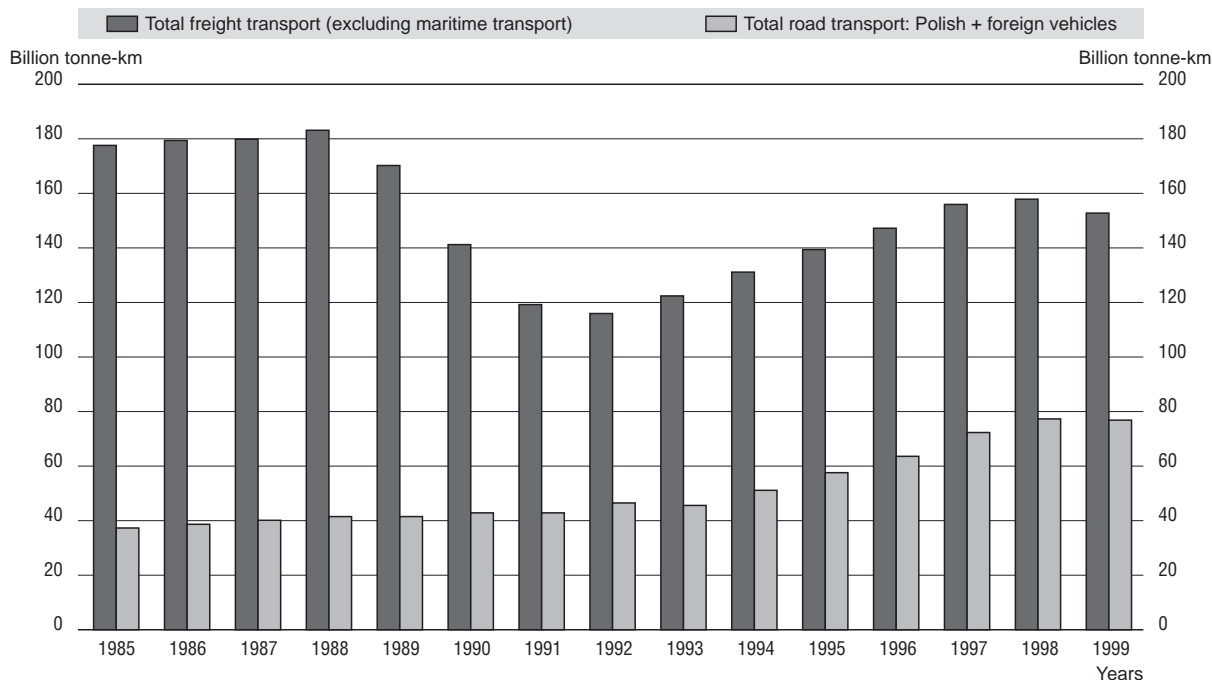


Table 1. Share of road transport in total freight transport in Poland for the period 1985-1999

Years	1985	1987	1989	1991	1993	1995	1997	1999
	<i>Million tonnes</i>							
Total freight transport	1 899.0	1 902.3	1 822.3	1 481.2	1 353.5	1 387.2	1 415.3	1 337.1
Total road transport, Polish +foreign	1 394.4	1 386.7	1 349.8	1 191.6	1 075.5	1 093.2	1 119.5	1 076.4
% road transport	73.4	72.9	74.1	80.4	79.5	78.8	79.1	80.5
	<i>Million tonne-km</i>							
Total road transport, Polish +foreign	176 430	179 741	170 241	118 609	121 848	140 332	155 824	153 109
Total road, Polish +foreign	37 363	38 349	40 207	42 293	44 570	56 773	71 156	77 099
% road transport	21.2	21.3	23.6	35.7	36.6	40.5	45.7	50.4
Average distance travelled by road transport in km	26.3	26.8	28.5	33.3	38.0	47.1	57.3	65.9

Table 1 shows that road transport in Poland was less affected by restructuring since the tonnage carried fell by only 23 per cent over the period 1985 to 1999, while the overall volume transported (all modes) declined by 30 per cent. The share of road transport in tonne-km, was only 21.2 per cent in 1995, increasing in 1999 to 50.4 per cent, which is still a much smaller percentage than in EU Member States.

Trends in road transport in Poland during the period 1985-1999 differed for own-account transport and transport for hire or reward. Figures 3 and 4 and Table 2 show a rise in the former, while the latter declined. Interestingly, the decline in overall road transport by Polish operators was accompanied by a dramatic tenfold increase in transport by foreign operators.

Table 2. **Trends in national and international road freight transport (including foreign vehicles) for the period 1985-1999**

Year	1985	1987	1989	1991	1993	1995	1997	1999
	<i>Million tonnes</i>							
National vehicles	1 393.6	1 385.5	1 347.9	1 188.7	1 071.2	1 086.8	1 110.8	1 068.4
<i>Own-account road transport</i>	810.2	771.6	829.7	897.4	779.0	767.5	734.4	696.1
<i>Road transport for hire or reward</i>	583.4	613.9	518.2	291.3	292.2	319.3	376.4	372.3
Foreign vehicles	0.8	1.2	1.9	2.9	4.3	6.4	8.7	8.0
	<i>Million tonne-km</i>							
National vehicles	36 592	37 183	38 447	39 641	40 744	51 200	63 688	70 452
<i>Own-account road transport</i>	16 745	16 228	18 319	20 946	20 177	23 022	25 774	25 407
<i>Transport for hire or reward</i>	19 847	20 955	20 128	18 695	20 567	28 178	37 914	45 045
Foreign vehicles	771	1 166	1 760	2 652	3 826	5 573	7 468	6 647

Figure 3. **Breakdown of road freight transport (own-account + hire or reward) in tonnes**

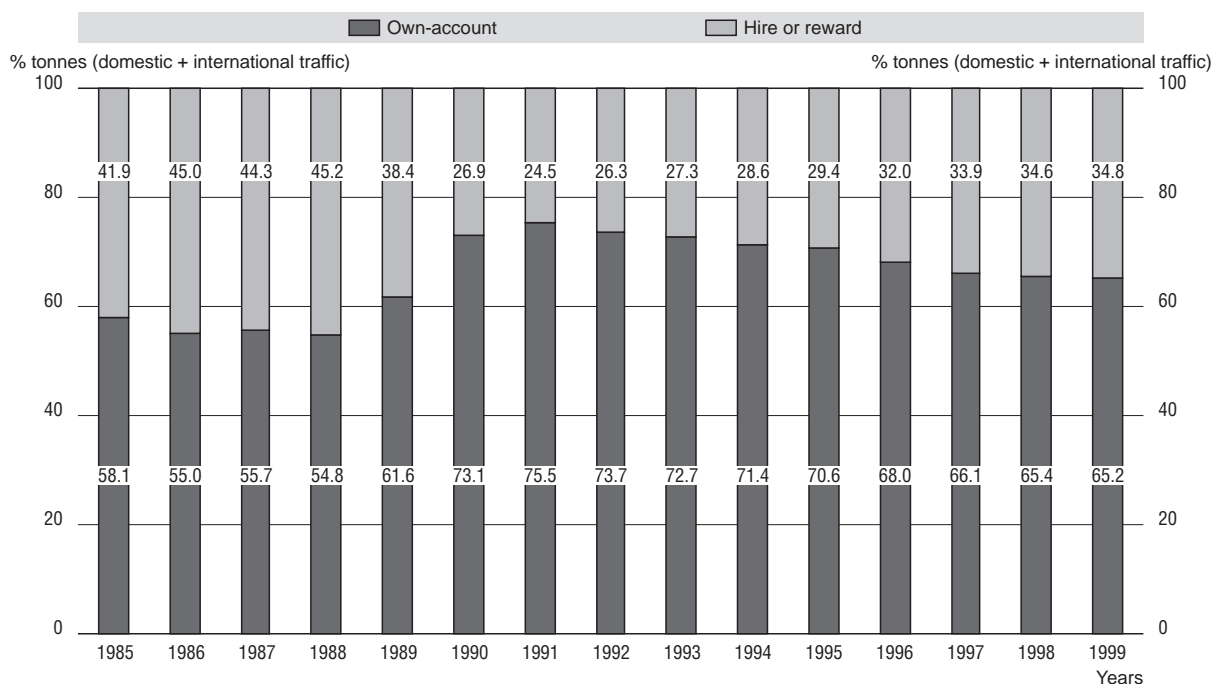
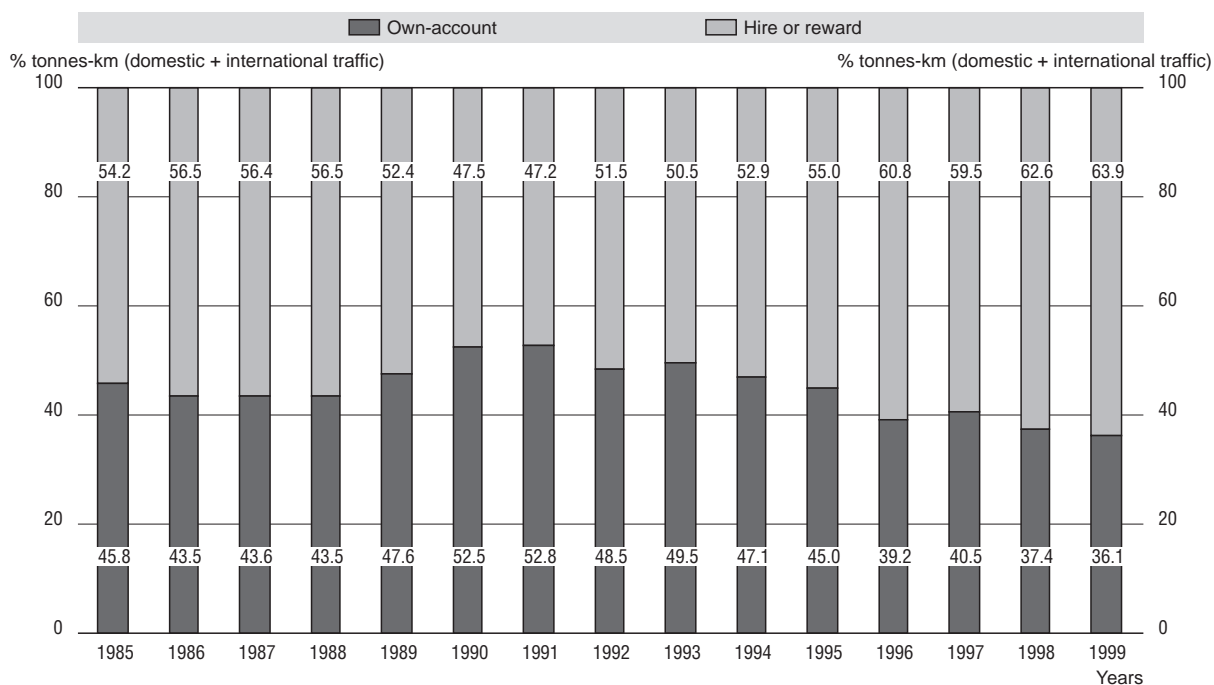


Figure 4. Breakdown of road freight transport (own-account and hire or reward) in Poland in tonne-km



However, still stronger growth was evident in Polish import and export traffic by road, as shown in Table 3.

Table 3. Trends in Polish import and export traffic by road for the period 1985-1999

Thousand tonnes, of which:	1985	1987	1989	1991	1993	1995	1997	1999
Total (exports+imports)	2 009.9	3 196.6	5 084.4	8 087.7	12 330.1	19 015.5	24 396.0	28 582.0
* exports	1 272.5	2 011.6	3 180.2	5 028.1	7 628.5	11 301.9	13 050.0	14 476.0
- exports by Polish vehicles	840.0	1 342.9	2 147.7	3 435.9	5 279.2	7 832.5	8 778.0	10 468.0
- exports by foreign vehicles	432.5	668.7	1 032.5	1 592.2	2 349.3	3 469.4	4 272.0	4 008.0
* imports	737.4	1 185.0	1 904.2	3 059.6	4 701.7	7 713.6	11 346.0	14 106.0
- imports by Polish vehicles	382.0	635.5	1 055.7	1 751.2	2 771.1	4 805.8	6 881.0	10 157.0
- imports by foreign vehicles	355.4	549.5	848.5	1 308.4	1 930.6	2 907.8	4 465.0	3 949.0
Total, Polish vehicles	1 222.0	1 978.4	3 203.4	5 187.2	8 050.3	12 638.3	15 659.0	20 625.0
Total, foreign vehicles	787.9	1 218.2	1 881.0	2 900.6	4 279.9	6 377.2	8 737.0	7 957.0
Thousand tonne-km, of which:								
Total (exports+imports)	1 998 388	2 978 393	4 444 580	6 640 264	8 709 974	13 593 212	20 371 800	24 625 570
* exports	1 247 421	1 811 297	2 631 720	3 825 798	4 809 770	7 531 876	10 592 879	12 320 200
- exports by Polish vehicles	827881	1176864	1673533	2380628	2724065	4519173	6964459	8990540
- exports by foreign vehicles	419540	634433	958187	1445171	2085705	3012703	3628421	3329660
* imports	750967	1167096	1812860	2814465	3900204	6061335	9778921	12305370
- imports by Polish vehicles	399095	635693	1011337	1607175	2160110	3501207	5938897	8987858
- imports by foreign vehicles	351872	531403	801522	1207290	1740093	2560128	3840024	3317512
Total, Polish vehicles	1226976	1812557	2684870	3987803	4884175	8020380	12903356	17978398
Total, foreign vehicles	771411	1165836	1759709	2652461	3825798	5572831	7468445	6647172

In the period studied, international road transport operations (in tonnes) by Polish operators increased by a factor of 17, and by foreign operators by a factor of 10 (in tonne-km, by a factor of 15 and 9, respectively).

The geographical redirection of Poland's foreign trade (decline in trade with the former COMECON countries) and the increased role of manufactured products resulted in a fairly satisfactory balance of imports and exports by road in 1999, compared with 1985, when exports were more than twice as high as imports (see Tables 4 and 5).

Table 4. Trends in international road transport for hire or reward for the period 1985-1999

Year	1985	1987	1989	1991	1993	1995	1997	1999
Thousand tonnes								
Exports	410.0	668.1	1 088.8	1 774.3	2 671.7	3 740.8	4 323.1	4 266.8
Imports	199.0	326.9	537.0	882.2	1 318.9	2 385.0	3 349.0	3 621.2
Total, Polish own-account	609.0	995.0	1 625.8	2 656.5	3 990.6	6 125.8	7 672.1	7 888.0
Thousand tonne-km								
Exports	477 400	689 454	995 700	1 437 976	1 618 412	2 559 469	4 045 949	4 456 603
Imports	242 800	382 763	603 408	951 244	1 219 883	2 046 885	3 416 595	3 970 937
Total, Polish own-account	720 200	1 072 217	1 599 108	2 389 220	2 838 295	4 606 354	7 462 544	8 427 540

Table 5. Trends in international road transport for own account in Poland during the period 1985-1999

Year	1985	1987	1989	1991	1993	1995	1997	1999
Thousand tonnes								
Exports	430.0	674.8	1 058.9	1 661.6	2 607.5	4 091.7	4 454.9	6 201.2
Imports	183.0	308.6	518.7	869.0	1 452.2	2 420.8	3 532.0	6 535.8
Total, Polish own-account	613.0	983.4	1 577.5	2 530.7	4 059.7	6 512.5	7 986.9	12 737.0
Thousand tonne-km								
Exports	350 481	487 409	677 833	942 652	1 105 653	1 959 704	2 918 510	4 533 937
Imports	156 295	252 930	407 930	655 931	940 227	1 454 322	2 522 302	5 016 921
Total, Polish own-account	506 776	740 340	1 085 763	1 598 583	2 045 880	3 414 026	5 440 812	9 550 858

The share of international road transport for own-account in Poland has not diminished and is still higher than in the EU Member States, particularly in terms of tonnes. If we compare Tables 4 and 5, we can see that, for 1999, the total tonnage moved by own-account transport in Poland is 1.6 times higher than that carried by transport for hire or reward (in tonne-km the proportion is 114:100). Figures 5, 6, 7 and 8 show that transport for hire or reward dominates international transport in the EU, while in Poland own-account transport continues to increase.

Figure 5. Share of international road freight transport in the EU (12) (in tonnes)

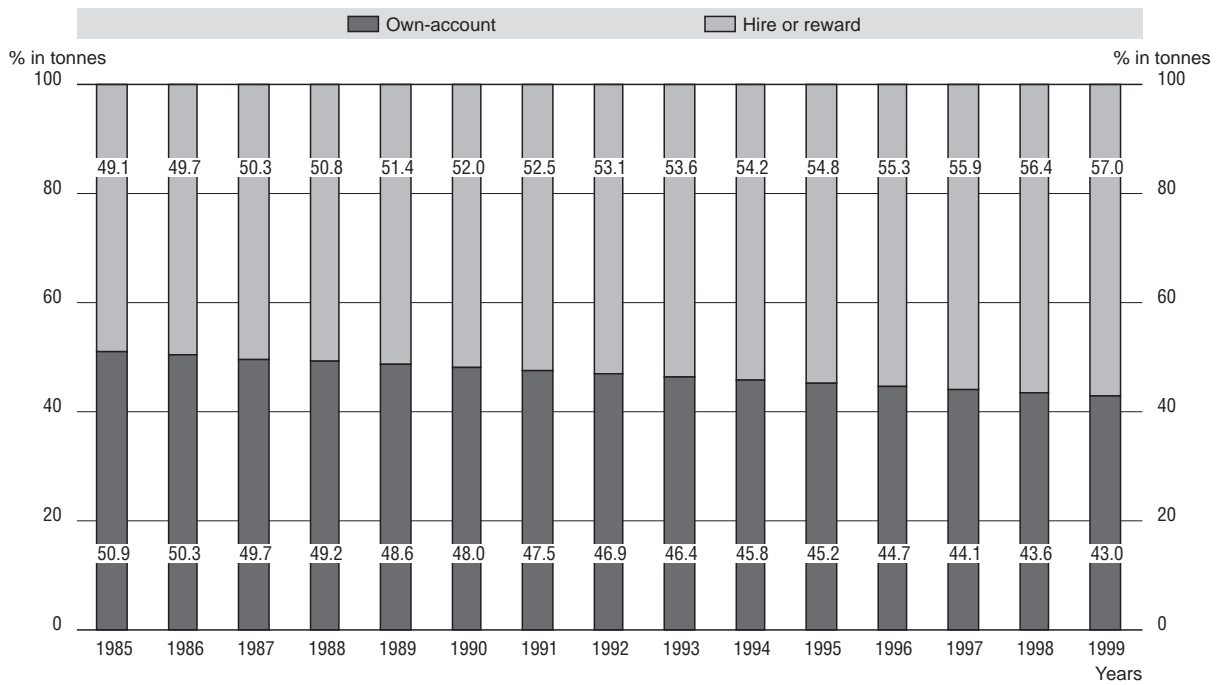


Figure 6. Share of international road freight transport in the EU (12) (tonnes-km)

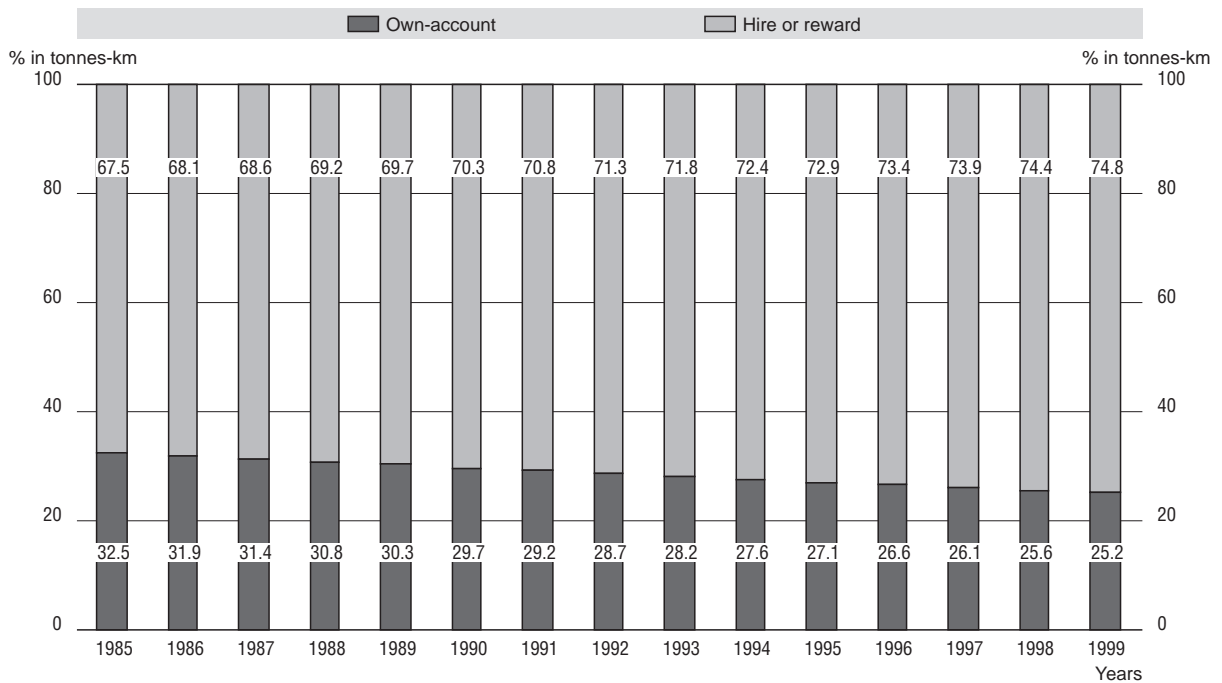


Figure 7. Share of international road freight transport in Poland (tonnes, domestic registered vehicles)

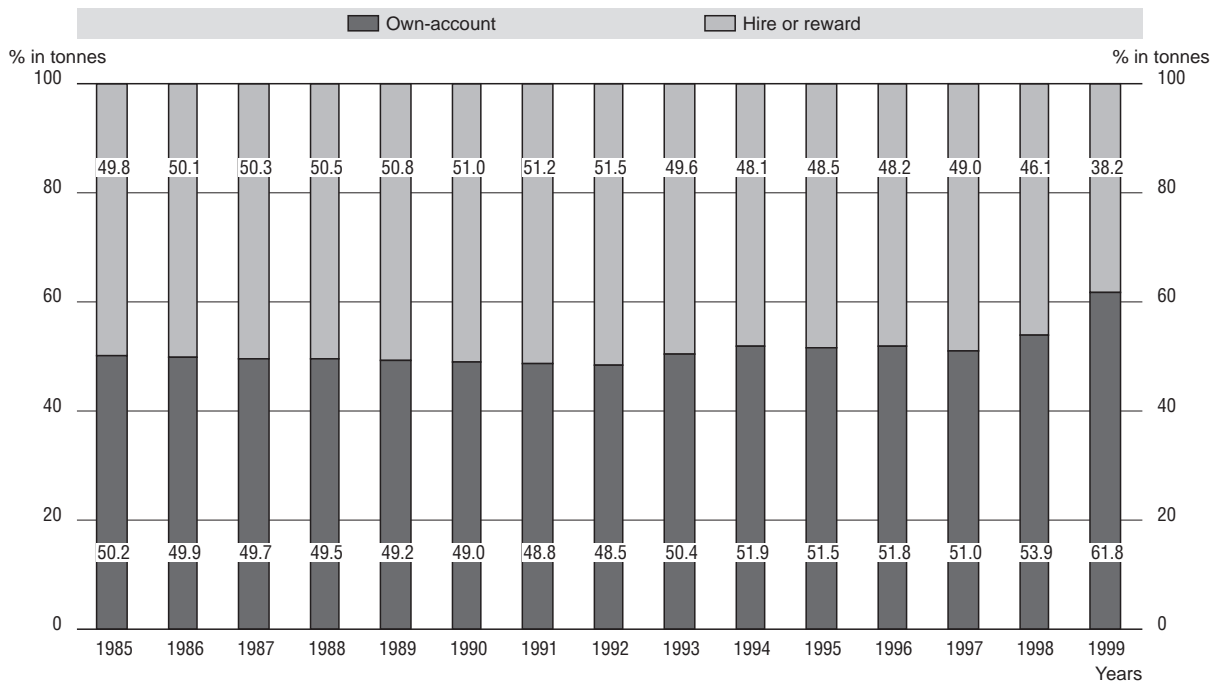


Figure 8. Share of international road freight transport in Poland (tonnes-km, domestic registered vehicles)

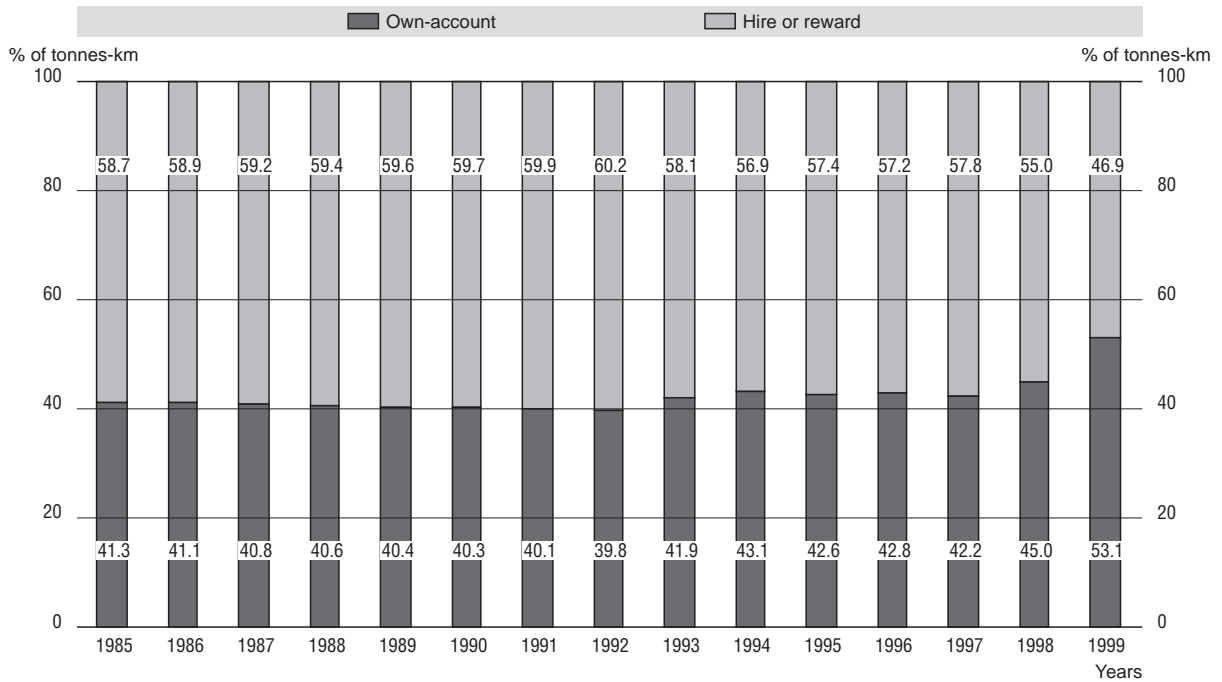
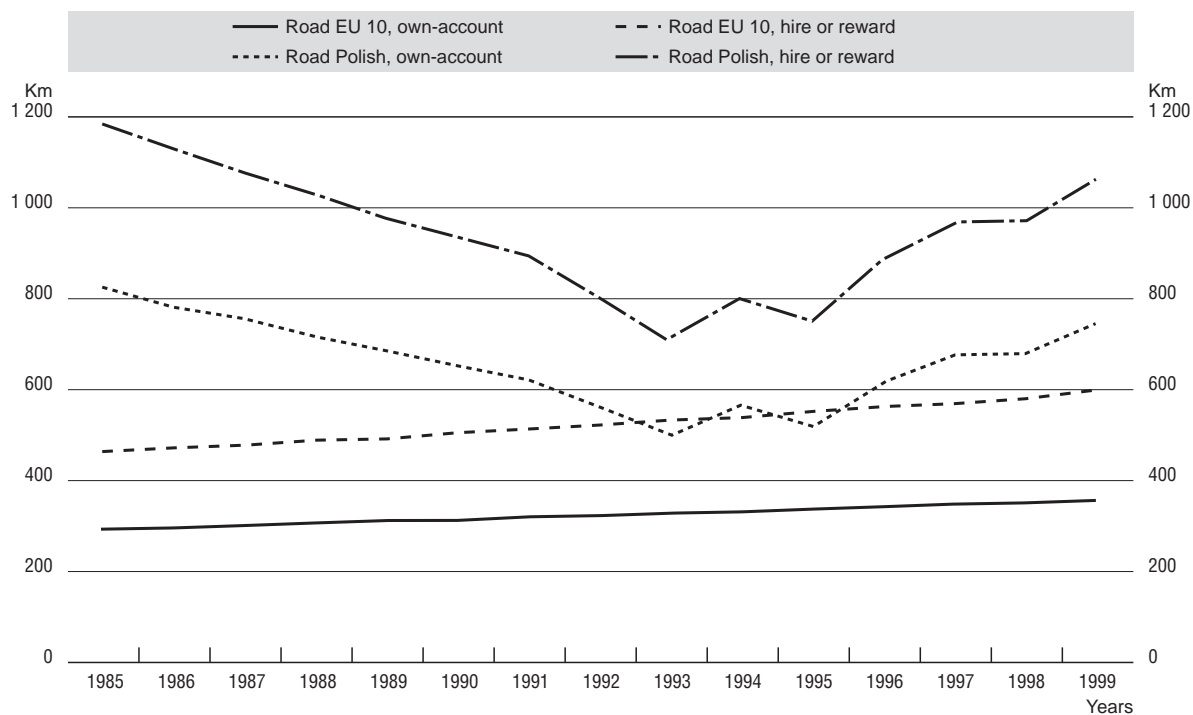


Figure 9. Average distances for international road transport in Poland and in the EU



NOTES

1. *Own account transport of goods by road in Central and Eastern European Countries*, IRU, Geneva, 1996.
2. *Questionnaire on own-account transport in Central and Eastern Europe*, IRU, 1996.

SUMMARY OF DISCUSSIONS

SUMMARY

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Road freight transport for own account represents a major share of inland transport in Europe. It moves two to five times the tonnage carried by rail in the countries of Europe. Yet own-account transport, which is not regarded as a logistics activity, tends to be overlooked. It is not a burning issue, although a great deal is happening in the field and it is a vital transport function. Part of the difficulty in analysing own-account transport is the sheer number of different definitions of this type of transport in the various countries of Europe, with the result that countries' experiences with it have differed. On the basis of this initial observation, it is possible to identify a number of possible ways in which the regulatory environment for road freight transport for own account might evolve in the future. The Round Table therefore looked at three separate aspects of this issue:

- Firstly, the current situation regarding own account transport;
- Secondly, problems regarding definitions;
- Thirdly, possible developments.

1. CURRENT SITUATION REGARDING OWN ACCOUNT TRANSPORT

What constitutes own-account transport varies from one country to another in the European Union. The regulations applicable are not the same – the definitions they are based on differ – and the categories of vehicle are not the same. While the regulatory framework for inland transport has changed a great deal within the European Union, mainly towards deregulation of the transport sector, the fact is that road freight transport for own account has been left to one side. The future enlargement of the European Union will exacerbate the regulatory differences in own-account transport unless a common legal framework can be established. Uniform regulations are vital and the case for harmonization can be argued on more than just economic grounds.

Within own-account transport, there are two quite distinct categories of operation: operations in which a company transports its own goods from one place to another and operations in which tradesmen use a vehicle as a tool of their trade to transport the equipment or goods they need to their place of work. Own-account operations are typically subject to less stringent regulations than transport for hire or reward, but own-account operators are prohibited from performing certain types of work. However, that is no reason to consider own-account transport as second rate. In some cases, it is carried out just as professionally as third-party transport.

Although fewer regulatory restrictions apply to own-account transport operators than to commercial haulage contractors, commercial hauliers do seem to be more efficiently organised. The crucial issue here is the number of empty back-hauls, which seems to be significantly higher in the case of own-account transport. As a result, the environmental record of own-account transport in terms of pollutant emissions per tonne of goods carried leaves something to be desired. True, own-account transport often involves urban goods distribution and it can be difficult to streamline operations in this sector. The building trade also makes widespread use of own-account transport and

here again it is difficult to avoid empty back-hauls, given that the vehicles used are special-purpose vehicles. Streamlining transport operations is also difficult in the foodstuffs sector. Tradesmen providing their own transport represent 20 to 25 per cent of own-account transport. It is not easy for them to make more efficient use of their vehicles and they appear to have little leeway in this respect. Moreover, because vehicles with a load capacity below a certain limit – typically 6 tonnes, although this varies from one country to another – are not subject to regulation, the distinction between own-account transport and transport for hire or reward is not always clear cut. This brings us back to the problem of definitions.

2. PROBLEM REGARDING DEFINITIONS

Transport services provided in return for money can immediately be classed as third-party operations. In this case, the value-added that accrues from transport is clearly identifiable. This definition is based on economic criteria. In the case of an own-account operator, transport is an ancillary activity, not the core business of the firm. It is important to note from the outset that the legal requirements are stricter for third-party haulage. Commercial operators must be of good repute, appropriate financial standing and professionally competent.

Right from the start, the Round Table pointed out that a great deal of third-party transport was virtually own-account transport, since it used dedicated vehicles (i.e. the customer controlled vehicle use) often bearing the customer's own livery. In such cases, transport operations are, to all intents and purposes, own-account operations, yet legally they are classified as third-party transport. In defining own-account transport, the actual conditions of operation should be taken into account, not just the legal criteria. Outsourcing – in some cases by encouraging former employees to become commercial operators who will then provide transport services – is common practice. In this case, too, the carrier is not really independent and the operation is not so very far removed from own-account transport. Whenever there is a dedicated contract, what we are talking about in economic terms is often, to all intents and purposes, own-account transport, whereas in legal terms it concerns third-party transport. There are, in fact, two quite distinct approaches: the conceptual and the legal.

Legal definitions serve to clarify restrictions on the type of work that can be performed, but they are misleading in economic terms. The need to regulate businesses that operate in the public domain, where the safety of other users is a factor, has given rise to legal definitions. The issue here is the restrictions that should apply to such a business in order to ensure the safety of other road users.

France is one country whose definition of own-account transport is not too restrictive. It defines own-account transport as the transport of goods by an undertaking in connection with that undertaking's primary activity. The undertaking must use its own vehicles or hired vehicles, driven by its own employees or temporary or permanent employees of the vehicle hire company. These drivers transport the goods under the direction of the undertaking performing own-account transport. This is a definition that leaves no grey area between own-account and third-party transport. However, this is not often the case and the distinction between own-account and third-party transport is not always so clear-cut. The same vehicle can carry both freight transported on an own-account basis and freight transported on a third-party basis at the same time. It is difficult to classify any one journey as one form of transport or the other.

There are overlaps and blurred boundaries and a single vehicle may be performing a mix of own-account and third-party transport. But this is not the regulatory view. An economic definition would look at the primary income-earning activity in a value-added chain. If that primary activity is transport, then the operation is classified as transport for hire or reward.

3. POSSIBLE DEVELOPMENTS

In contrast to third-party haulage, own-account transport is typically used over shorter distances, within a radius of 100 to 150 kilometres around the company. While the salary costs are lower for commercial transport, that should not be seen as the only factor behind firms' increasing tendency to outsource the organisation of their transport operations to logistics operators. Manufacturers and retailers tend not to be interested in transport *per se*, although, after a period of over-outsourcing, major companies are now going back to a more limited form of own-account transport. Major supermarket chains, which control quality right down to the end-customer, are using a combination of own-account and third-party transport. Services associated with transport – packaging, inventory management and order preparation – can also be provided on a third-party basis.

While outsourcing services increases the division of labour and can lead to productivity gains, manufacturers and retailers do not outsource everything. Some experts at the Round Table thought it important to secure the regulatory, economic and social conditions for extending outsourcing throughout the economy and in the transport sector in particular. Contractual relationships, based on outsourcing, made virtual integration possible. Firms could take advantage of this to refocus on their own core business. All of this depends on the firm base. If there are no more small and medium-sized enterprises (SMEs) capable of providing outsourced transport services, then own-account transport is set to continue. At the same time, European integration, and indeed globalisation, is lengthening average transport distances. But, we know that own-account transport takes place mainly over short distances. Logically, therefore, current economic developments will give third-party services the edge, although these will be dedicated services for manufacturers and retailers, i.e. quasi own-account services.

The decline in heavy industry, the growth of SMEs and the proliferation of long-distance flows explain the decrease in own-account transport. This decrease was substantial during the period 1990-1998, which saw a 30 per cent increase in the numbers employed in third-party transport in Europe and a 25 per cent reduction in the numbers employed in own-account transport. Transport is becoming an integral part of a complex chain that includes storage, production and distribution. This is why some experts at the Round Table were of the view that own-account transport was self-centred in that it was less efficient and not too concerned with environmental impact. Transport for hire or reward has made substantial efforts to reduce the environmental damage it causes: here again, the difference can be put down to efficiency. Third-party transport also offers greater cost transparency.

The development of own-account transport is symptomatic of the failure of the market to provide the services that manufacturers and retailers need. There are still services that the market is not interested in providing, for example, transport for the distribution of special products, public services such as gas and electricity, door-to-door sales, video control units, etc. This means that own-account

transport is not on its way out, but is of interest mainly for goods in the low unit value category. There are very few isolated markets, for which no third-party transport is proposed, and own-account transport develops where the market is not providing services.

In this context, restrictive regulatory measures with regard to own-account transport serve a broader purpose. As well as the safety-related objective previously mentioned, they are also aimed at preventing unfair competition, since own-account operators who also engage in hire or reward operations can always price such services at marginal cost, rather than having to break even on them.

In the view of the Round Table, consideration should be given to extending the right to provide own-account transport to subsidiaries of the same manufacturing group or conglomerate. Restricting the use of own-account transport to the smallest legal entity of the group has prevented transport capacity being fully utilised. If the use of own-account transport were to be extended to the whole group, capacity could be utilised more efficiently and empty back-hauls which cause needless environmental damage could be avoided. The consolidation of flows would lead to productivity gains all round.

When transport regulations were first introduced in the 1930s, the aim was to protect the railways. Later, the aim was to protect road hauliers from harmful competition. While it is still important not to limit the free choice of shippers, now that the transport sector has matured, the notion of potentially harmful competition in the freight transport sector is no longer relevant. This said, so as not to penalise transport for hire or reward, if we do broaden the scope of own-account transport, it must be expected to comply with the same operating rules as third-party haulage. On this basis, some of the experts at the Round Table put forward a strong case for extending the transport licensing system to own-account operators, by satisfying the same basic eligibility criteria as for third-party haulage. It is not, in fact, conceivable to directly authorise own-account transporters to transport for hire or reward as they are subject to less stringent regulations. But by subjecting them to the same rules of access to these licences, notably to the same conditions of access to the profession, they would become fully authorised third-party transporters. Under these conditions, own-account transport would be authorised to carry out transport for hire or reward. During the period 1970 to 1977, own-account operators in the UK were able to carry for hire or reward if they so desired without any ill effects on the market.

In the CEECs, international own-account transport is growing where it is subject to the same regulations as in the EU. In the domestic transport sector in countries which do not regulate entry into the profession, own-account transport is on the decline and care must be taken to ensure that the imposition of entry regulations does not lead to a resurgence. However, with a view to entry into the European Union, a common basis should be established through measures that allow for a period of transition.

The Round Table recognised that there were three current restrictions on own-account transport that could be lifted by:

- authorising the hire of drivers with vehicles, in order to allow greater flexibility; this point, however, was not agreed upon unanimously during the Round Table;
- authorising own-account transport within a group of companies;
- introducing non-obligatory vehicle registration where it is at present obligatory.

On this last point, the Round Table tended to take the view that own-account operators should be encouraged to meet the same basic requirements as professional hauliers, so that they could be permitted to provide third-party transport. However, some experts were reluctant to see a revival of own-account transport. They took the view that commercial hauliers were better placed to make use of the most advanced developments in logistics, which was becoming an increasingly complex business, and that promoting own-account transport was tantamount to promoting a form of transport that was not at the leading edge. Others pointed out that even with the relatively liberal approach taken in some countries, particularly France, own-account transport was in decline. Bearing this in mind, by making the same basic requirements applicable, licensing own-account operators to carry freight on a third-party basis is likely to have only a marginal impact.

One possible way forward would therefore be to create a common regulatory base, notably on the conditions of access to the profession, that is applicable to all and as simple as possible. This approach, however, failed to secure a consensus at the Round Table. Nonetheless, what we need is not to restrict capacity, particularly in the CEECs, but above all to enforce compliance with safety and environmental regulations and working conditions. There would still be protected markets for own-account transport, some of them among the emerging markets. This has been the case for transport generated from commerce by Internet, which at present is catered for by own-account operations. With this type of delivery pattern – multiple origins and few drop points – commercial hauliers have been put off by the extremely high entry costs. But that may prove to be only temporary.

Deregulation and globalisation have increased competitive pressures, helping to bring down prices and improve the quality of services provided by professional hauliers. Own-account transport should not be left out of this general trend. However, it is not enough simply to relax the regulations so that own-account operators can provide hire or reward transport. To pave the way for major changes in this area, it might perhaps be possible to draw up a body of rules which apply to all types of transport but which exclude certain categories such as transport by tradesmen. Flexibility, i.e. the greater responsiveness that own-account transport needs if it is to be more efficient, should be the goal that guides policymakers. As a minimum, the hire of vehicles with drivers and own-account transport between subsidiaries of the same group should be authorised. However, for some experts, the real aim, once again, is to ensure that there is a common regulatory basis that will also be applicable to the CEECs after a period of transition. If we are to improve the performance of own-account transport, we will have to apply the same regulations to it as to third-party transport and, as a corollary, allow it the same freedom. However, this view did not meet with unanimous approval at the Round Table.

This approach would also mean that own-account transport must be liable to the same penalties for breaches of the regulations, up to and including withdrawal of operating licences. In fact, it is not possible to put the two forms of transport on the same footing without subjecting them to the same penalties. Governments must adopt an integrated approach to the transport sector, and harmonizing penalties is part of that approach. This said, licensing systems can be unwieldy to manage, and licences should therefore be required only for vehicles above a minimum size, and thus exclude the self-employed who transport for work purposes. Lastly, personnel working in different transport fields should receive the same training, so that they can move from one field to another without difficulty.

4. CONCLUSIONS

The general trend has been for a shift away from own-account transport throughout Europe. The deregulation of the commercial haulage sector has been a major contributing factor. With deregulation, prices in the sector have fallen, service quality has improved and operators have been more flexible in responding to logistics requirements. Providers started offering services that more closely matched needs, an interesting development in more than one respect. However, the decline in own-account transport cannot be explained solely by the deregulation of the professional haulage sector. Certainly, manufacturers and retailers refocused on their core business dropping ancillary activities, including own-account transport. They outsourced all activities that were perceived as non-core.

Given the foregoing, it is important to safeguard the freedom of choice of manufacturers and retailers in this ultra-competitive economy. However, some experts felt that a move towards integrating own-account and third-party transport is necessary, since it is no longer appropriate to treat them as two separate categories. For others, however, it is not necessary to go so far: the simplest solution being to decide that own-account transport cannot carry out transport for hire or reward, except where becoming public transporters, which would imply that they fulfil the requirements for access to the profession of public transporter. The minimum change would therefore be to lift restrictions on the hire of vehicles with or without drivers for own-account transport. The ability to hire vehicles with drivers will ensure greater organisational flexibility and, moreover, is already allowed in some countries. Preventing hire-ins with or without drivers is a restriction for which there are no valid economic grounds, even though this view was not unanimously held during the Round Table. Next, and again in terms of minimum change, transport for own account should be authorised between subsidiaries of the same manufacturing group, which is not the case at present. Allowing own-account transport between subsidiaries would enable efficiency gains (less empty running). One of the criticisms that has frequently been levelled at own-account transport is that it is inefficient.

It remains imperative that own-account transport only be authorised for third-party transport if it satisfies the same basic conditions as for professional transport. Where this has been tried (in the United Kingdom) no distortion to the road transport market resulted. A licence should be required for any firm operating more than one vehicle for own-account transport, but not for tradesmen using small goods vehicles to transport the tools of their trade or for transport over very short distances. Other than in these cases, the basic requirements for own-account and third-party transport should be exactly the same, particularly the regulations on driving time, safety and vehicle emissions and driver training. It is important to remember that exactly the same professional standards should apply, whatever the form of transport.

It must be understood that if own-account transport is to be efficient, it must meet the same requirements as transport for hire or reward. This will enable better utilisation of vehicle capacity, without disrupting transport markets.

In this respect, own-account transport should be subject to the same controls as transport for hire or reward. Penalties must act as deterrents and harmonization of the penalties in Europe is strongly recommended.

If each EU Member State sets its own regulations, as it is entitled to do under the subsidiarity principle, we will be confronted with conflicting regulations and will be unable to adopt a common stance in Europe, particularly but not exclusively on vehicle hire. It is absolutely essential that we have framework conditions which have been adopted by all and which have not been overly dictated by the subsidiarity principle.

In the medium term, the aim should be to harmonize the position in the CEECs with that in the European Union, but a transition period must be arranged. This cannot all be done overnight. As the economies of the countries in transition become more open, transport is expected to grow strongly and own-account transport may emerge as a safety valve. However, here too, we should endeavour to ensure that transport is efficient by bringing the requirements for own-account transport into line with those applicable to transport for hire or reward.

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