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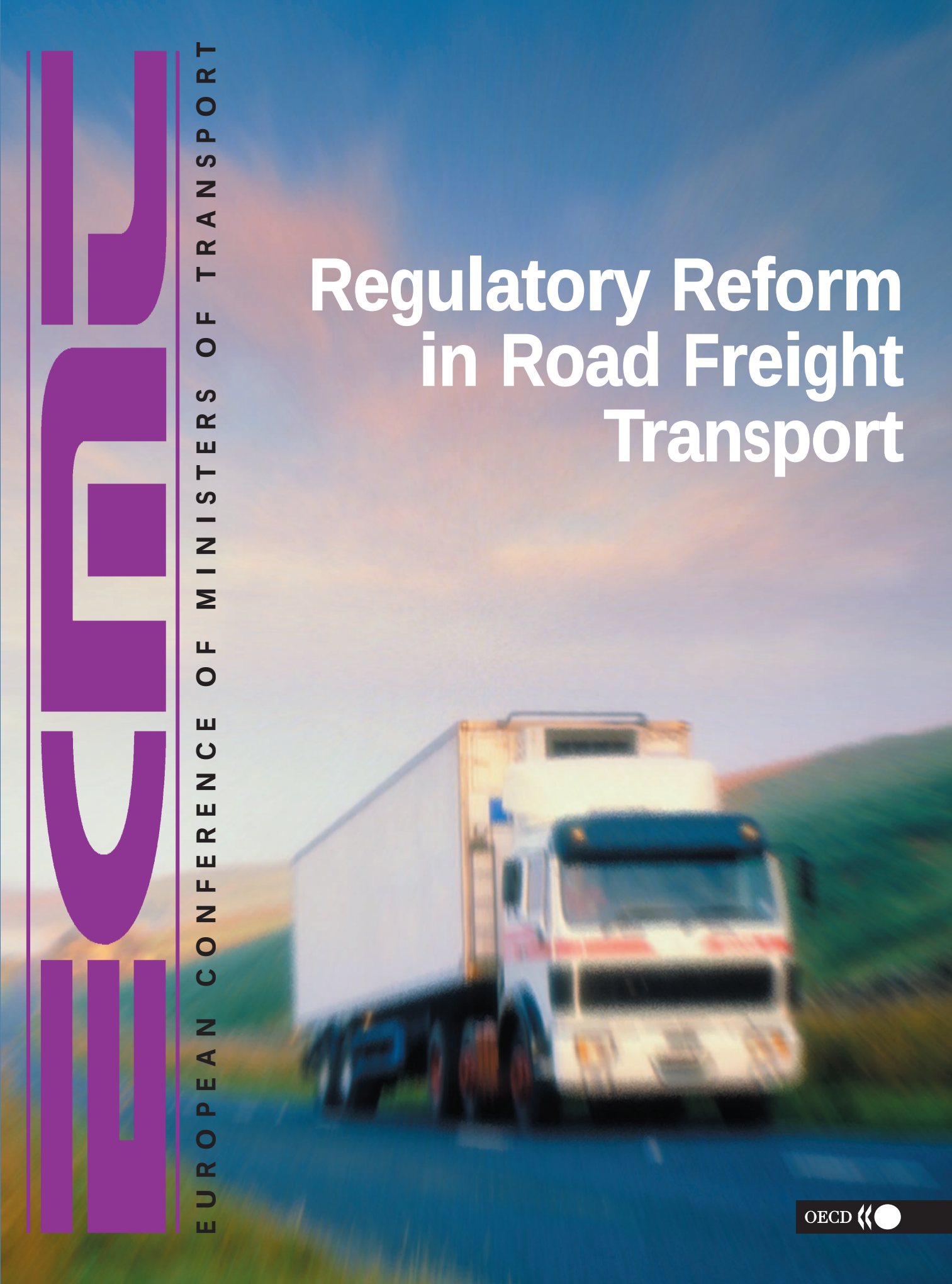
EUROPEAN CONFERENCE OF MINISTERS OF TRANSPORT

Regulatory Reform in Road Freight Transport



OECD

Regulatory Reform in Road Freight Transport

PROCEEDINGS
OF THE INTERNATIONAL SEMINAR

February 2001

EUROPEAN CONFERENCE OF MINISTERS OF TRANSPORT

EUROPEAN CONFERENCE OF MINISTERS OF TRANSPORT (ECMT)

The European Conference of Ministers of Transport (ECMT) is an inter-governmental organisation established by a Protocol signed in Brussels on 17 October 1953. It is a forum in which Ministers responsible for transport, and more specifically the inland transport sector, can co-operate on policy. Within this forum, Ministers can openly discuss current problems and agree upon joint approaches aimed at improving the utilisation and at ensuring the rational development of European transport systems of international importance.

At present, the ECMT's role primarily consists of:

– helping to create an integrated transport system throughout the enlarged Europe that is economically and technically efficient, meets the highest possible safety and environmental standards and takes full account of the social dimension;
– helping also to build a bridge between the European Union and the rest of the continent at a political level.

The Council of the Conference comprises the Ministers of Transport of 41 full Member countries: Albania, Austria, Azerbaijan, Belarus, Belgium, Bosnia-Herzegovina, Bulgaria, Croatia, the Czech Republic, Denmark, Estonia, Federal Republic of Yugoslavia, Finland, France, FYR Macedonia, Georgia, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Moldova, Netherlands, Norway, Poland, Portugal, Romania, the Russian Federation, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, Ukraine and the United Kingdom. There are six Associate member countries (Australia, Canada, Japan, New Zealand, Republic of Korea and the United States) and two Observer countries (Armenia and Morocco).

A Committee of Deputies, composed of senior civil servants representing Ministers, prepares proposals for consideration by the Council of Ministers. The Committee is assisted by working groups, each of which has a specific mandate.

The issues currently being studied – on which policy decisions by Ministers will be required – include the development and implementation of a pan-European transport policy; the integration of Central and Eastern European Countries into the European transport market; specific issues relating to transport by rail, road and waterway; combined transport; transport and the environment; the social costs of transport; trends in international transport and infrastructure needs; transport for people with mobility handicaps; road safety; traffic management; road traffic information and new communications technologies.

Statistical analyses of trends in traffic and investment are published regularly by the ECMT and provide a clear indication of the situation, on a trimestrial or annual basis, in the transport sector in different European countries.

As part of its research activities, the ECMT holds regular Symposia, Seminars and Round Tables on transport economics issues. Their conclusions serve as a basis for formulating proposals for policy decisions to be submitted to Ministers.

The ECMT's Documentation Service has extensive information available concerning the transport sector. This information is accessible on the ECMT Internet site.

For administrative purposes the ECMT's Secretariat is attached to the Organisation for Economic Co-operation and Development (OECD).

Publié en français sous le titre :

La réforme des réglementations dans le transport routier de marchandises

ACTES DE LA CONFÉRENCE INTERNATIONALE

Février 2001

Further information about the ECMT *is available on Internet at the following address:*

www.oecd.org/cem

FOREWORD

On 7 February 2001 in Paris, the ECMT organised an International Seminar on Regulatory Reform in Road Freight Transport. The conclusions of this Seminar provided the basis for a discussion on road freight transport during the ECMT Council of Ministers in Lisbon, on 29-30 May 2001.

This publication contains all of the documents which were presented during the February Seminar, together with a summary document, "Policy Issues Discussed by the Council of Ministers", which provided an introduction to the ministerial debate.

The subject of regulatory reform in road freight transport arose from work undertaken by the ECMT and the OECD on regulatory reform in transport in general. This work aims to clarify the conditions by which a greater efficiency of transport modes may be obtained while, at the same time, ensuring the essential criteria of security, respect for the environment and harmonious social development.

A number of ways towards an evolution in road freight transport regulation within the ECMT Member countries are outlined in the present document However, road freight transport in Europe must still overcome many impediments, among others, the enlargement of the European Union, the integration of environmental considerations and the level of taxation. The present document nevertheless provides a spotlight on the main avenues towards an evolution in road freight transport regulation in Europe foreseen for the years beyond 2001.

TABLE OF CONTENTS

KEY POLICY ISSUES

1. Road transport is essential to a modern economy. Almost all goods move by road at some stage. The share of total traffic accounted for by road transport has been increasing steadily in the ECMT countries for thirty years. It accounts now for over three-quarters of tonne-kilometres in the old Member countries of ECMT and just over a half in the new Member countries.

2. For over twenty years there has been a strong trend towards reducing the degree of economic regulation in the sector, at both national and international level. Restrictions on operators, for example, to obtain licences, to carry specific goods, to operate in limited areas or to follow set prices have been abolished both nationally and internationally. Quotas have been replaced by open market regimes based on quality criteria. The sector is largely privatised even in Central and Eastern Europe.

3. In the EU there is an open market since 1993 when quantitative restrictions were abolished, and cabotage has been permitted since July 1998.

4. Within those countries and regions which have deregulated, there have been significant falls in transport prices, substantial gains in productivity and improvements in the quality of service. Competition has increased and profit margins have fallen; there has been a substantial growth in subcontracting.

5. In the ECMT area, international traffic is regulated mainly by a system of numerous bilateral agreements. These differ in their content (in spite of ECMT's recommendation of 1997) - many containing quantitative limits on the number of trips and allowing mutual exemptions from taxes and charges. Countries favour bilaterals because they allow some problems to be dealt with directly. In addition to bilaterals, there is the ECMT multilateral quota system (accounting for about 4% of trips) which allows international traffic in high-quality vehicles. There are also other arrangements at international level, including the Ecopoints system involving Austria and a quota system for Switzerland. Cabotage is not permitted outside the EU.

6. At the same time as the opening of markets in the individual countries in the EU and in ECMT, there has been a parallel effort to harmonise the conditions of access to the profession as well as technical, social and fiscal conditions. Broad rules on access to the profession have been agreed though there are differences in their interpretation. International agreement on technical harmonisation has been almost achieved. Though there are EU directives on vehicle duties, excise duties and road tolls, there are still substantial differences in fiscal regimes (even in the EU) and in the systems of transit charges across ECMT. As regards social aspects, the AETR Agreement regulates driving time in international transport. Within the EU, the relevant Regulation (3820/85) applies and a difficult discussion is underway on its updating and on the inclusion of working time, as distinct from driving time, in the provisions governing road transport.

7. It is widely accepted that enforcement of rules, especially those on driving hours, on maximum weights and on maximum speeds, have been very unevenly controlled.

8. There are important challenges for the future in the ECMT area. There are broad policy concerns about the dominance of road traffic and its ever-growing modal share. Some countries oppose further liberalising of road transport on such general grounds. Others believe that it is necessary to take opportunities to improve the efficiency of road transport; using road transport regulations to protect the railway has been a major policy failure.

9. A key issue is whether the complex patchwork governing international trucking can be simplified and made more transparent. It is clear that this system has not succeeded in meeting some of the broader aims of transport policy and moreover it is often inefficient and discriminatory. The question is how can the system be oriented towards one founded on quality with open access, using safe, clean vehicles driven by skilled and well-trained staff who obey the rules.

10. While there is a need for a level playing-field in road transport, it is important to understand what is meant. To what extent are agreements on social or fiscal provisions or standards of access, enforcement and sanctions for national and international road haulage needed? In some of these areas, full harmonisation may not be necessary. For example, some of the existing national fiscal disparities are greatly reduced when international transport is considered. Indeed, in the fiscal area it is more important to apply the ECMT resolution (on non-discrimination) than to harmonise charges and taxes. One of the factors causing cost differences is in salaries but few would argue that there is a need for government to intervene to standardise salaries.

11. The structure of the industry in many countries is similar, with a large number of small (often one-vehicle) firms accounting for up to 80% of the operators. These firms show a high failure rate and are often used by larger firms for subcontracting and have little market power. This has been the situation for many years in the sector and previous attempts to increase average firm size have failed. If this is a problem, the question is whether the solution is more in the domain of the enforcement of rules and the implication of shippers in the responsibility for the behaviour of these operators rather than any attempt to change the structure of the industry.

12. There are areas where improvements to the existing arrangements might be considered. In the international area, these might include moves to more multilateralism, a gradual introduction of cabotage and/or the creation of a register of high-quality international hauliers. More particular steps might be taken to permit the renting of vehicles with a driver in the own-account sector and to treat own-account and professional firms in a similar way so that conditions can be harmonised.

13. In a general sense, the challenge for governments is to contribute to ensuring that the sector meets its societal, safety and environmental challenges in an efficient way. It would be hard to claim that this has been achieved up to now.

POLICY ISSUES DISCUSSED BY THE COUNCIL OF MINISTERS

1. Present Situation

Developing intermodality and a fair competitive framework is one of the objectives of European transport policy. By the same token, each mode must be able to operate as efficiently as possible without having to contend with artificial barriers.

This document addresses road freight transport and takes as its starting point the observation that over the past 10 years in Europe, a period which has been marked by the introduction and subsequent consolidation of the process of liberalising road freight transport, activity in the road haulage sector has increased while that of other inland modes, and notably rail, has remained static. For the majority of transport, there is simply no alternative to road freight transport in the short term.

Against this background, traffic forecasts for inland freight transport all see growth in road freight transport continuing into the near future. While growth in road transport brings some positive benefits, such as productivity gains which are good for the economy, it also has negative impacts in terms of damage to the environment and increased road congestion.

This growth in road freight transport, which is expected to be particularly strong in flows between the European Union and the countries of Central and Eastern Europe, will be hampered, with all the negative impacts that this implies, by the quota restrictions placed on either bilateral or multilateral permits. In an economy whose development is increasingly based on electronic commerce, and in which international trade flows are growing strongly, a permit quota system is a glaring incongruity.

2. The Debate

In order to reconcile the above objectives, should we make harmonisation or liberalisation the priority for the road haulage sector in Europe?

The European Union has clearly come down on the side of liberalisation, but has nonetheless also paid attention to the specification of harmonisation measures.

In the ECMT area, both long-standing and newer Member countries are reticent about the idea of liberalisation. This is because hauliers in newer Member countries are afraid that they might lose out in competing against hauliers in long-standing Member countries with a better understanding of logistics, while conversely hauliers in long-standing Member countries fear that hauliers in newer Member countries might be able to compete in terms of prices. These two different attitudes are partly to blame for the impasse in the opening-up of the international road haulage sector.

The liberal theoretical model, on the other hand, accepts a balance based on specialisation. Countries where labour costs are high could specialise in services with a highly sophisticated logistics

components -- seeking refuge in quality -- whereas hauliers in countries that are better placed in terms of cost would provide haulage for those products which are the most sensitive to transport costs.

This theoretical model needs to be placed back within the context of European transport policy in order to modify its scope, notably in response to the advocates of harmonisation. Liberalisation is only feasible under fair conditions of competition, that is to say a competitive environment which largely places each haulier on an equal footing with his competitors, regardless of nationality. This is a long-term objective which will require a number of economic and social measures to ease the transition. From this standpoint, liberalisation makes no sense unless it is accompanied by progress towards greater harmonisation.

3. Towards An Incremental Approach?

In policy terms, is an incremental approach, in which problems are ranked by order of importance, the only practical way forward? Would it not be possible, notably with regard to countries seeking membership of the EU, to create a "big bang" which openly acknowledge, and instantly achieved, the objective of a liberalised market, the sole guarantee of economic efficiency? Would it not be possible to envisage an approach aimed at all countries and directed more towards liberalisation, comparable to current developments within the EU where plans are in hand to introduce a minimum number of harmonisation measures, without this necessarily causing major upheaval in the market?

It is worth considering various aspects of the debate which illustrate the minimum conditions that should apply to a form of liberalisation which does not disregard harmonisation measures or liberalisation based on minimum harmonisation:

Structure of the sector and market access

The fact that there are a large number of owner-operators cannot be criticised *per se*. But this situation can upset the equilibrium in that the constant arrival of such firms on the market lowers prices to a level below what would be fair in a normal competitive environment since they tend to be unaware of their costs. Imposing stringent criteria for admission to the profession, notably in terms of the initial training and the equity level that needs to be maintained throughout the lifetime of the enterprise, avoids making entry to the profession too easy for newcomers. Some analysts feel that imposing a minimum equity requirement is tantamount to reintroducing quota restrictions on entry to the profession in the place of permits. But surely it is important, in a predominantly "capitalist" economy, to require that firms meet a minimum requirement in terms of their equity? The Council decisions of May 2000 would seem to be a move in the right direction with regard to these issues. In addition to which, surely preserving capital is an effective means of ensuring good management?

Ensuring that regulations are implemented

To ensure that there is at least minimum harmonisation of the conditions of competition, countries must show an equal commitment to implementing the regulations underpinning such harmonisation. Regulations can only have a genuine impact provided that they are implemented with equal force across countries. This raises the question of whether a harmonised control system in different countries might not constitute an effective addition to the array of measures to be taken to remedy the most glaring disparities in the conditions of competition, in that if large numbers of

enterprises remain outside the rules it would be meaningless to speak in terms of harmonised conditions of competition.

Taxation

The principle which should dominate discussions over taxation is that of cause and effect, i.e. the further one drives or pollutes the more one should pay. Should we not rapidly move towards introducing the latest technological advances to establish, on the basis of electronically calculated mileage fees of the type currently being introduced by various countries, a common basis on which to charge transport activities?

The Environment and traffic growth

Many countries are concerned about the consequences of continuing road transport growth on congestion and the environment. Experience, however, has shown that placing artificial barriers on road freight transport has been ineffective in dealing with these concerns. Should the policy response not better be based on a combination of higher environmental standards in the industry, encouraging alternatives to road transport and, especially, correct pricing of road transport to reflect its higher external costs?

Sub-contracting

Sub-contracting is a recurrent theme in the transport sector. It becomes problematic and increasingly prevalent when operators have difficulty in passing on increased costs in their prices. In such cases, the regulation of working hours -- which effectively increases wage costs -- will inevitably have a comparable effect, particularly in view of the fact that independent owner-operators are exempted from such regulations. Surely the countries which will apply such regulations will simply see increased use made of sub-contracting, until their attention focuses on those awarding the contracts.

Cabotage

Cabotage does not enjoy the unanimous support of all ECMT Member countries. What is particularly significant here is that the introduction of cabotage in the form of quotas in 1990, and fully liberalised as from 1998, met with the same type of critical response in the European Union, namely, that competition would not be fair and that hauliers from certain countries would take over markets. We now know that this was not the case. To circumvent the problem, would it therefore not be possible to introduce cabotage on the basis of a permit quota, particularly with regard to non-EU Member States, and then closely monitor the resultant market trends through the relevant statistics.

The question of visas

In contrast, it is worth considering whether visa application procedures for drivers, which are sometimes highly complex and bureaucratic, do not amount to a form of protectionism in response to the failure of certain firms and, consequently, their drivers to comply with the conditions of transport

relating to the permits that have been attributed to them. On the other hand, surely there are grounds for ensuring compliance with all the rules in order to eliminate any form of induced protectionism?

4. Conclusion

In the final analysis, surely the objective is to establish a body of rules and regulations for road freight transport in Europe which exhibits greater uniformity and which is based on transparent regulations that can readily be implemented rather than on complex regulations arbitrarily imposed on the sector? To do this, might it not be advisable to change from a system primarily based on bilateral permits to one based primarily on multilateral permits and on minimum harmonisation? The best approach would be to have, in the future, a system based on qualitative rather than quantitative criteria.

SUMMARY OF ECMT SEMINAR

The ECMT held an International Seminar on Regulatory Reform in Road Freight Transport on 7 February 2001. The Seminar brought together researchers and senior decision-makers with responsibility for road freight transport policy in ECMT countries. The discussions were sustained with a report from the ECMT Secretariat, together with written contributions from scientists, Member countries and transport professionals.

The following is a summary of discussions at the Seminar.

1. Main points

Throughout the past 10 years in Europe – a period marked by the introduction and then consolidation of the process of liberalising road freight transport – road hauliers have seen their business increase, while that of other inland modes remained static at best. The disparity in trends is especially striking for rail transport, which governments are nevertheless still anxious to see pick up. Despite all the restrictions that have been imposed on road transport on some corridors, its growth is real and it can safely be said that the services that rail can offer are no substitute for those that road provides. The fact is that rail transport is not flexible enough to be able to adapt to developments in logistics, such as just-in-time delivery, because it does not have a dedicated freight network and because freight traffic is not given priority and border crossings are slow. There is therefore no alternative to road freight transport.

Against this background, traffic forecasts for inland freight transport all see growth in road freight transport continuing into the near future, if only at the same pace as economic growth. It is widely estimated that road freight traffic will increase by +50 or +60% by 2015 in Europe, although other, slightly less favourable estimations exist. In contrast, it appears that rail transport will be utilised to full capacity, at least in most European Union countries. Growth in road freight transport is therefore inevitable.

This future growth raises at least two problems: first, the impact on the environment and on congestion; and secondly, the impact on road safety. Although growth in road transport brings some positive benefits – for instance, productivity gains, which are good for the economy – it can be seen to have some negative impacts, too.

The growth in road freight transport, which looks set to be extremely high for trade between the European Union and countries of Central and Eastern European, will be hampered – with all the negative consequences that this implies – by haulage licence quotas, be they bilateral or multilateral.

The current quota system, which consists in large numbers of bilateral licences and a limited quota of multilateral licences, is far from ideal. This is because bilateral licences provide for numerous non-transparent exemptions to common transport regulations; tax regulations, for example. This runs

counter to what ought to be the guiding principle of one large market in which the same conditions of competition apply to all.

As well as this singular situation, there is the fact that the area covered by the ECMT will be sub-divided into three categories (EU Member States, EU candidate countries and countries that belong to neither of these two categories). In the first place, it would be difficult for an organisation to apply a different approach to certain Member countries and, in the second, countries that are not candidates for European Union membership are nevertheless going to be involved in the process as it spreads across Europe.

In an economy whose development is increasingly based on new technologies – or electronic commerce – a licence quota system is a glaring incongruity. No less incongruous is the divide separating a road haulage industry dominated by small-scale operations and the needs of industry and commerce for high-tech transport services.

In some respects, road freight transport could be said to be a victim of its own success: so long as growth does not decline, conditions will make it difficult for hauliers to continue in operation. One might wonder who will the hauliers of the future be, when one knows that the demanding working conditions make it difficult to recruit staff, who as a general rule would rather work in other sectors. The latest regulations on working hours for drivers are certainly helping to improve conditions, but they are also going to create a need for more drivers. This looks to be something of an impasse.

2. In-depth policy discussions

Harmonisation or liberalisation? The European Union has come down clearly on the side of liberalisation, not without making some inroads in the direction of harmonisation, most conspicuously in the fields of social or technical standards for vehicles, but much less so in the area of taxation.

The move towards liberalisation is very much in evidence when we consider the overall economic system of the new Member countries of the ECMT. However, in the transport sector itself, some reluctance can be detected from both long-standing and new Member countries. New Member countries are reluctant because there is a chance that they might lose out if they have to compete with hauliers who have more experience with logistics and with developing service quality. Hauliers in long-standing Member countries are reluctant because they are afraid that they will not be able to compete on prices as conditions for hauliers in the CEECs now stand. Both attitudes are blocking the liberalisation of international transport and the possibility of extending cabotage to ECMT countries.

The market economy or liberal approach holds that it is the most efficient firm that wins market shares. However, in its simplest form, this theory requires that firms compete on an equal footing. The most economically efficient outcome is achieved when the most competitive firm wins market shares at the expense of less productive firms.

Let us note from the outset that the simplified liberal model can be extrapolated to “international trade”. In this more comprehensive version (it includes external trade) of equilibrium on the various commodity and services markets, each country specialises in its most profitable services. The result is an international division of labour in which each country has a comparative advantage that it exploits to the full.

Transposing the simplified model (no external trade) to transport issues, requires the establishment of a single market in which all firms compete on an equal footing. If the conditions of

competition are not the same for all, there is no chance of achieving an efficient economic equilibrium model. The model that includes "external trade" concedes that there are disparities between countries and, even with these disparities, constructs a specialisation-based equilibrium.

It is surprising to note that what is fully accepted for international trade – i.e. specialisation – is not accepted when we come to transport issues. For instance, a country would be reluctant to allow another country's hauliers to provide some of the transport for its international trade, although the idea of a country specialising in luxury goods or electronics is universally accepted.

This asymmetry in tolerance is more than likely a result of dysfunctions in transport. Every policy-maker knows that most road haulage is carried out by small firms under very difficult operating conditions and does not want to put further pressure on firms which are often on the verge of bankruptcy and which have difficulty in respecting the professional rules of conduct.

While the question is no doubt more complex than that, as it involves many interrelated issues, it is clear that while some jobs may be lost others can be gained. By allowing firms whose costs are lower to provide haulage services, the economy as a whole benefits from lower transport costs. This means higher profitability for firms that are major consumers of transport and lower prices for consumer goods that include a major transport element.

The model based on international specialisation is probably even more complex, since we can assume that a country with high labour costs would specialise in logistics-intensive services – relying on service quality – while hauliers in countries in a better position on the costs scale would provide freight transport for products that are highly sensitive to transport costs. This would mean that every country could be a winner in international competition, where it seems there is room for everyone, given the increased opportunities for road haulage.

Positive overall though this model with its winners and losers may be, it is not the one that policy-makers prefer. Rather than liberalisation, they prefer to speak in terms of gradually opening up cabotage, the need to protect hauliers, or of liberalisation without harmonisation, saying that this could undermine the entire liberalisation process.

At policy level, incremental progress, setting problems aside so as not to waste time on points of disagreement, is the only approach that is gaining ground, as the contribution of theoretical models based on simplified assumptions is incessantly called into question, even though everyone would agree that they can ultimately see the crucial need for a liberalised transport market in Europe.

3. Decisive arguments

The aim of liberalisation, where it has been introduced, was not necessarily to benefit hauliers but to reduce the public cost of transport. From this standpoint, it has been a resounding success, and this argument should be kept firmly in mind.

Of course, there are very large wage differentials between new and long-standing Member countries. However, these differentials seem less significant bearing in mind that, with the current state of organisation of their economies, new Member countries need more staff for administrative tasks and equipment maintenance.

What is highly significant is that the introduction of cabotage within the European Union, first on a quota basis and then on a fully liberalised basis, met with exactly the same arguments: competition

would not be fair and hauliers from some countries would take over the market in countries where transport was most expensive. Experience shows that this was not the case.

Another argument often put forward is the threat to the environment. However, hauliers in the CEECs have made a substantial effort to acquire Euro 2 or Euro 3 vehicles and it does their efforts scant justice to brandish this threat, which is quite simply specious or, at any rate, no more real than the threat posed by hauliers in long-standing Member countries who provide international transport services.

This said, the environmental issue is extremely important, so much so that some countries are continuing to oppose liberalisation on the grounds of protecting rail transport. This argument is unfounded: it is up to the railways to be more responsive to their customers' expectations, by providing excellent service quality, for instance. Seeking to promote rail by restricting road transport would be totally artificial and would increase the public cost of transport. The only means of dealing with the problem of road congestion and to some extent damage to the environment will be to obtain an irreproachable quality of service from rail transport.

One argument that does carry some weight is the large number of small operators. Some of those at the Seminar thought that it did not make economic sense for these firms to expand, given that economies of scale were not possible in road transport or, where they were possible, were very small. This helped to perpetuate the small-scale structure of the sector.

It is possible to counteract the constant creation of small firms, which have only a vague idea of the conditions that have to be met for a firm to survive and which sometimes disrupt the operation of the market by driving prices lower than they would normally be in a competitive market due to pressure from shippers. Very strict criteria for entry to the profession, including initial training and equity capital requirements while the firm is in operation, ensure that entry to the profession is not made too easy.

It should be noted that some thought that a minimum equity capital requirement was tantamount to reintroducing entry quotas without the licences. Others thought it important in a predominantly capital-intensive market economy to require firms to satisfy a minimum capital requirement, as this would guarantee good management – not ruinous competition – if firms wished to preserve their capital. So that the minimum capital requirement would be consistent with each country's level of economic growth, particularly in the CEECs, the amount required could be set proportionate to the standard of living in each country.

In contrast, it should be noted that procedures for obtaining visas for drivers, sometimes very cumbersome and bureaucratic, were in fact a form of protectionism that had arisen in response to some drivers' failure to comply with the conditions attached to the permits they held. Non-compliance was reprehensible as the behaviour of a few individuals could be held against a country through more or less overt reprisals.

4. Remaining barriers?

One point raised in the course of the above discussions warrants close attention. This is the tendency of certain hauliers to keep control of freight, but to encourage their drivers to set up as hauliers and sub-contract haulage operations to them at very low rates. Let us note that this process of outsourcing tends to be self-perpetuating: to respond to the low transport prices it generates, competing hauliers have no alternative but to do the same thing with their own drivers.

Such situations are the result of the great power wielded by certain shippers who do not want to pay a fair price for transport. In any case, when rate increases are agreed, most of the time they are not passed on to the sub-contractors actually providing the transport service.

Let us note that this practice spreads each time that there is a rise in transport costs, since it is always difficult to pass on cost increases to prices charged. It seems that regulating working hours – which effectively increases wage costs substantially – will inevitably produce a similar effect, all the more pronounced because self-employed operators do not have to comply with the regulations. In countries which do enforce the regulations, we can expect to see an increase in sub-contracting.

This raises the issue of compliance monitoring, which, as we are well aware, can be extremely variable from one country to another.

5. What transition measures?

For those who argue that harmonisation is paramount, the areas in which transition measures seem indicated are: taxation, entry to the profession and road transport regulations, such as driving time or technical standards for vehicles. At the same time, a harmonised monitoring system would underpin the array of measures that should be implemented to eliminate the most flagrant disparities in competition.

As regards taxation, the principle that should dominate discussions is that of cause and effect: the more one uses the roads the more one pollutes, the more one should pay. This principle, under which variable taxation becomes a prerequisite, could make use of the latest advances in technology to ensure that there would be a common basis of taxation – per-kilometre charges – for road freight transport operations, a method already adopted by several European countries. The problem resides in the need to make any such system interoperable throughout Europe, which could be extremely difficult in view of the high stakes involved for business.

There is little point in further comment on the conditions of access to the profession, except to say that the regulations should have the same effect everywhere: the requirements applicable to the amount of equity capital, for instance, should be the same from one country to the next, in relative terms not absolute terms.

Furthermore, in the event of a serious breach of the regulations, the aim should be to extend responsibility to the principal. In the power struggle between the transport sector and their industry clients, it is the latter who have the final say, and it is therefore important to be able to tell whether breaches of the regulations are the result of excessive demands by customers. This comes under another principle, according to which the governments of different countries must work together to prevent differences in the interpretation of the regulations. More uniform monitoring of compliance with the regulations by all countries would seem to be highly desirable.

It does not seem that cabotage can be introduced with the unanimous agreement of all ECMT Member countries. So, to circumvent that difficulty, cabotage could be introduced with licensing quotas and very close monitoring of market trend statistics. Such a system could be introduced essentially for those countries which are not or will not become EU members.

Indeed, a market monitoring system should accompany any move towards market liberalisation. It is important that we are able to track market trends if we are to spot any dysfunction immediately. The industry must be involved in the monitoring process. In general terms, it would be advisable to set

up partnerships with the industry which would endeavour to raise the level of qualification of its members through the introduction of an accreditation system. This is consistent with the approach that governments are seeking to implement, hence the advantage of partnerships. Governments, for their part, can start promoting best practices – benchmarking firms' performance – to encourage firms to emulate the best with the focus on certain regulations.

The objective is to achieve a more uniform set of regulations for road freight transport in Europe, one that is built upon transparent and enforceable regulations, not complicated regulations that have been grafted onto the sector. To arrive at this objective, a system which employs mainly bilateral authorisations could usefully give way to a system where multilateral authorisations dominate.

BACKGROUND REPORT

INTRODUCTION

In Europe, the "deregulation and competition" scenario has prevailed in the field of domestic road haulage. It is found virtually everywhere across the European Union in domestic and international transport, and even cabotage has been instituted. This is the culmination of a long series of developments in the regulation of road haulage. Let us look at this briefly.

Road haulage was regulated in Europe from the end of the First World War onwards, mainly to prevent it from undermining railway operations. This policy trend was omnipresent. Despite the numerous measures to contain road haulage activity, the latter rapidly caught up with the railways and for passenger transport, road transport has become the universal mode.

For a long time, the authorities hesitated. They gradually removed quotas on the activity of the road hauliers so that it might keep up with economic growth, though without actually liberalising it, except in a few countries. The use of licences and compulsory charges continued for a long time for domestic and international transport, especially in Europe. This is moreover the geographical area that this report is concerned with, even if some examples from other continents are to be found scattered throughout the publication.

So, to return to Europe, while the writings of specialists in transport economics would often advocate the liberalisation of the road haulage markets, it was necessary to wait until the establishment of the single market on 1st January 1993 and the institution of cabotage – fully liberalised in July 1998 having previously been subject to quotas – before the remaining regulations on capacities and prices were lifted virtually everywhere.

In the Europe of the European Conference of Ministers of Transport (ECMT), which comprises the countries of the European Union plus twenty-five other European countries, the fall of the iron curtain was the event that prompted countries from the former Eastern bloc – not all of whom were members of the ECMT at that time – to join the ranks of the countries who were practising deregulation and privatisation. It should be noted, however, that at ECMT level, deregulation has not yet resulted in a model comparable to that of the European Union, particularly with respect to international transport. For that reason, a substantial part of this report will be devoted to international transport.

More precisely, the paper begins by addressing regulation of national transport, mainly European national transport, although some points and some examples are taken from other parts of the world.

Then, in a second part, international European transport will be presented. Each part will conclude with an outline of the potential for development of the regulatory framework.

To complete this introduction, it is important to point out that road haulage represents more than 75% of Europe's freight transport activity (measured in tonne-kilometres) and that its activity rose by a factor of three between 1970 and 1998, whereas that of other modes of transport on land stagnated. In 1998 road haulage generated more than 1% of the GDP of the European Union member countries (OECD, 2000) and one of the main features of this sector, as indicated by these few figures, is its dynamism, notwithstanding the considerable burden it imposes on the environment, and the threat to safety it represents.

1. THE REGULATION OF NATIONAL TRANSPORT

1.1 The quota system for permits, i.e. the limitation of capacities and fixing of charges

This concerns a practice with a long history, which consists in limiting the capacities that can be transported by public road hauliers in the domestic transport sector by the institution of transport licences. Where this is or has been practised, the licences have been able to stipulate transport zones, specific geographical relationships or transportation distances as well as the type of good transported. Moreover, the capacities that operators could offer to carry have more often than not been subject to the application of compulsory charges, the purpose of which has been to limit the commercial freedom of the service provider. The regulations adopted have varied considerably from one country to another but the spirit of them has remained the same. The aim of these regulations, most of which were introduced in the thirties, was to protect the railways from the growing threat posed by competition from road transport. These measures were consolidated during the post war years. Road transport in France – and also in Germany – was thus firmly held in check at this time by haulage permits for long distances, while the compulsory charges subsequently put in place – also for long distances – were copied from those imposed by the railways.

The recurrent difficulties of railways (large-scale deficits and subsidies, loss of part of their market share) and the fact that public service obligations have been imposed on them, have merely served to reinforce the objective of protecting them. Moreover, road transport regulations evolved only gradually in the sixties and seventies. Another reason for having strict regulation of road transport was that the sector was then regarded as unstable, i.e. as being subject to too much competition or even from competition described as "ruinous". The ease with which equipment could be obtained, the low return on operations, linked to periodical falls in capacity (in periods of recession for example), argued for action to be taken on capacities and prices to ensure a return to minimum investment and to see that the vehicles were properly maintained (coverage of maintenance and replacement costs). In Europe today, Italy and Greece maintain compulsory charges for domestic transport; these are the only two member countries of the European Union to retain such measures (cf. OECD International Regulation Database, 1999).

It is possible to assess the advisability of maintaining restrictive rules – of which it must be said that they were a lasting source of inspiration to the authorities until the beginning of the eighties – by examining experiences of deregulation and considering the way in which the consequences are related.

First, it should again be noted that privatisation also played a role in promoting deregulation, though a less decisive one. Following the lead of deregulation, privatisation progressed in the eighties as governments put varying degrees of trust in the private sector to manage undertakings that were more or less overwhelmed by competition. Of course, the experience of privatisation originated in the United Kingdom, with the state relinquishing control in many sectors. In this connection we might recall the privatisation of NFC (1982) in the field of freight transport and of British Airways (1987). Since then the privatisation trend has also reached the railways in the United Kingdom, while the fall of the iron curtain has led to a very strong tendency towards the privatisation of former public transport monopolies in the countries of central and eastern Europe.

1.2 The national road transport market without quotas

Beginning in the United Kingdom in 1969, followed by the United States in 1980, the trend towards deregulation of national goods transport spread across the European Community, and also affected other countries (Mexico, New Zealand, Canada). Annex 1 contains a summary of the experiences of three countries (France, Mexico, United States), from which some general conclusions can be drawn.

It can be said that the main beneficiaries of the quantitative restrictions were the undertakings with transport permits or licences (McKinnon, 1996). These undertakings were protected from the full effects of competition. They could also enjoy higher returns since they benefited from a form of protection. The fact that transport permits in France had acquired a market value (30 000 Euros en 1978), for example, might be taken as proof of this. Accordingly, the efficiency of the organisation of the undertakings was burdened with the need to have transport licences and to make a profit on the investment they represented. Generally speaking, the effect of restrictions on itineraries or distances, the need to pass through freight centres, the impossibility of transporting a load on the return journey, was to diminish the productivity of the undertakings. Furthermore, it can be said that the consequence of quantitative regulations was to limit gains in productivity and technical and organisational innovations, thereby preventing a downward trend in transport prices, whether in relative or in absolute terms.

It is difficult to quantify the positive effect of deregulation through the lifting of quantitative restrictions. It is nevertheless possible to gain some idea by following the development of prices, and in this connection reductions in the price of transport in the order of 15-25% over a period of time have been noted in the United Kingdom, the United States, New Zealand and France. In most countries, the lifting of quantitative restrictions has been gradual. This lifting of quantitative restrictions occurred in an unfavourable economic climate, which will have pushed transport prices downwards. At the same time, improvements in infrastructure led to gains in productivity, which the shipping agents were able to take advantage of owing to increased competition in the freight transport sector.

The other benefits of deregulation are more difficult to evaluate. By encouraging initiative on the part of undertakings, it could have produced a better match between company supply and customer demand. This is a factor in the promotion of new logistic services. In the United Kingdom, for example, where deregulation was introduced quite early on, the new conditions of competition encouraged the emergence of logistic services – which now have an excellent reputation in Europe –

in the distribution field. In Mexico, this has enabled Mexican enterprises in the manufacturing sector to conquer new markets, since transport services have leapt forward in terms of quality and have lowered their prices.

Lastly, in the countries that have tried the experiment, there is no sign of the sector's becoming concentrated, which would adversely affect competition. In the United Kingdom, comparison of the situation in the road haulage sector in 1969, before deregulation, with the situation in 1995, shows no trend towards an increase in the presence of large undertakings (Cooper, 1994).

The results achieved in countries that have tried the experiment thus seem to be largely positive, although it is worth drawing attention to its negative aspects as seen in the experiences of small companies, such as the low level of payment for services. It is likely that more stringent basic criteria for admission to the profession of road transport operator, currently applied in most countries, might be sufficient to counter these trends, stemming as they do from shortcomings in the management of small companies, which are tempted to accept shipments at rates that only partially cover costs and at the same time create an imbalance in the market as a whole, since the shipping agents move into the gap that opens up.

1.3 Qualitative criteria

This involves a policy which turns its back on quantitative licensing and replaces it with criteria for allowing access to the road transport market. In the European Union, these criteria consist in fulfilling requirements of good repute in the exercise of business, minimum financial standing and professional competence. Given that road haulage undertakings are subject to numerous rules (on the transport of dangerous materials, for example, or the highway code) which affect *inter alia* the safety of other road users, an operative who is certified as professionally competent is one who is familiar with all these rules and is also able to manage a company. Good repute means, in theory, that entrepreneurs who have few scruples about disregarding the law may be excluded from the occupation, while good financial standing ensures, again in theory, that they have the capital required to continue managing the undertaking and maintaining the vehicles, so that any practice that might endanger safety is prevented. Let us take up these points with respect to the European Union and the ECMT Member countries.

Aptitude to engage in professional operations in European Union Member countries

Directive 96/26, which was a mere reiteration of changes in this area since 1974, was modified by a new Directive (No. 98/76) which significantly increased community requirements.

Professional competence

Professional competence, always ensured by a written examination, may be further established by an oral examination. Furthermore, candidates who can provide proof of adequate professional experience (five years in a management position in a transport undertaking) can always be dispensed from the full examination, provided that they satisfy a control.

Professional competence is vouched for by a certificate conforming to the model laid down in Directive 98/76. The holder of the certificate must be the person actually managing the undertaking in a permanent capacity.

Good repute

Directive 96/26, modified by Directive 98/76 leaves responsibility for determining the criteria governing the notion of "good repute" to the Member countries. It nevertheless requires them to specify that good repute is forgone when the undertaking:

- Has been convicted of serious criminal offences, including offences of a purely commercial nature.

- Has been declared unfit to pursue the occupation of road transport operator.

- Has been convicted of serious repeated offences against the rules concerning the pay or employment conditions in the profession, the drivers' driving and rest periods, the weights and dimensions of vehicles, road safety, protection of the environment and other rules which it is their professional responsibility to observe.

The good-repute requirement must be fulfilled by the person or person actually managing the activity of the undertaking in a permanent capacity, member states being entitled to demand that it be managed by other persons as well.

According to Directive 96/26, financial standing consists in having sufficient resources to ensure proper launching and proper administration of the undertaking. Directive 98/76 sets the amount of available capital and reserves the applicant road transport operator must hold at 9 000 Euros for a single vehicle and 5 000 Euros for each extra vehicle. These conditions must be satisfied throughout the undertaking's period of activity (see Lamy, 2000).

Fitness to engage in the occupation in the ECMT countries

A general ECMT Resolution, adopted at the Council of Ministers meeting in Prague on 30 and 31 May 2000, which applies to international road haulage, called upon ECMT to take the necessary steps to ensure that any undertaking wishing to engage in international road haulage must first obtain the appropriate authorisation issued by the competent authorities of their country. We cite this resolution in the chapter on national transport because it was the source of inspiration for the provisions gradually adopted to allow access to the profession at national level as well, although it must be recognised that there is great disparity between ECMT members who are not members of the European Union, and that furthermore the requirements of government authorities are more stringent for international than for national transport.

Under the provisions of the aforementioned text, undertakings that submit a request to engage in international road haulage must provide proof:

- Of good repute; showing that physical persons supposed to be of good repute have not been convicted of serious criminal offences, notably in the commercial field, have not been declared unfit to pursue the occupation of road haulier, have not been convicted of serious infringements of labour law, or transport legislation, notably the rules on drivers' driving and

rest times, or legislation on road safety and vehicle safety in particular, or environmental protection legislation.

- Of appropriate financial standing. The undertaking is required to have available capital and reserves at least equal to the minimum required in the European Union. If a member country who is not a member of the European Union is unable to fulfil these minimum requirements, it must inform the Secretariat of the ECMT of the period of time it thinks it requires in order to conform to these provisions. Such periods can under no circumstances exceed five years.

- Of professional competence, demonstrated by passing a written examination, which might be supplemented by an oral examination. In determining the level of training and knowledge of subjects that constitute proof of professional competence, the competent authorities in ECMT member countries outside the EU draw inspiration from the progress made by the European Union and take it into account as far as they possibly can. However, physical persons who can prove that they received authorisation to engage in the occupation of international road haulier from a member country before the introduction of the system, are dispensed from providing proof that they meet the criteria in respect of their personal suitability. The same provisions apply to physical persons who have managed the transport division of an undertaking.

Provision is also made for ECMT Member countries to ensure that their competent authorities withdraw the authorisation to engage in the occupation of road haulier if they discover that an operator is no longer meeting the requirements to be of good repute, appropriate financial standing, and professional competence.

It should be noted that Switzerland entered a general reservation on all of the points listed above for formal reasons.

Assessment of the qualitative criteria for admission into the sector

The effects of deregulation were cushioned by the fact that qualitative criteria for admission to the occupation have been put in place. There can be little doubt that, without these criteria, competition between operators would have been greater, and this would probably have had adverse effects on the safety and stability of the sector. It might nevertheless be asked whether these criteria are appropriate to the objectives of the governmental authorities.

The good-repute requirement is held to be fulfilled as long as the head of the undertaking has not been convicted of serious and repeated offences against the rules in force concerning pay and employment conditions, the rules on drivers' driving and rest times, the weights and dimensions of vehicles, and more generally road safety, environmental protection and financial responsibility. This condition is interpreted more or less severely under different national legislation, but it would seem that the trend is towards increasing severity. Generally speaking, the existence of this good-repute condition is not contested.

The professional competence condition is fulfilled by the issue of a certificate, which may be obtained in three different ways: passing an examination; having an equivalent diploma, or having professional experience. The way in which these provisions are implemented differs markedly from one country to another, since the difficulty of obtaining a certificate has varied considerably, though it is decidedly more difficult as a result of the aforementioned texts. It must nevertheless be acknowledged that the existence of this condition is not called into question either. The trend is as

much towards tightening up as to harmonisation of the requirements made of applicants for the professional competence certificate.

The situation is quite different for the financial condition, the justification for which is sometimes questioned. The capital required is after all quite substantial and the undertaking is required to maintain it at the initial level. The original point of these dispositions was to ensure that the undertaking had the resources required for sound management and vehicle maintenance, notably for safety reasons. But in fact, there is nothing to guarantee that the capital will be allocated to the maintenance of the vehicle or vehicles and there are quite probably other ways of ensuring that vehicles conform to standards, direct inspection, for example.

A parliamentary report in the United Kingdom concluded, however, that an undertaking with a sound financial basis would be less inclined to violate regulations in order to win contracts. The minimum capital condition could thus be explained by the fact that transport undertakings generally have little capital of their own and that this is prejudicial to fair competition. Moreover it might present a way of limiting the emergence of small undertakings.

In the central and eastern European countries, the situation is by no means uniform. Following extensive liberalisation in domestic transport as in international transport, the authorities are becoming aware of the disadvantages associated with the emergence in large numbers of badly structured undertakings and are tending to introduce more restrictive provisions, notably on financial standing or professional competence, which are increasingly like those of the European Union (Bernadet, 1998).

Although we have so far considered the authorisations required for the purpose of engaging in the occupation of road haulier, many other regulations are relevant to the sector, notably those on vehicles, the use made of them, and the taxation of them. Let us consider these points in turn.

1.4 Regulation of vehicles

Vehicle standards

These are numerous and apply to a great many technical points (fittings, roadworthiness tests, etc.) or to the specific characteristics of the vehicles. The 1958 UN/ECE Agreement and Regulations under it set out the technical norms with which road vehicles must comply. The 1968 Vienna Convention on Road Safety (recently revised), together with the 1971 European Agreement, set out the general technical and legal conditions for international road traffic in Europe. Other legal instruments governed by the UN/ECE, such as the AETR and the TIR Convention, deal with regulatory aspects of road transport.

To simplify matters, we will confine our attention to standards on weight and dimensions, and regulations related to the environment.

Weight and dimensions

In the European Union, the harmonisation of weights, dimensions and certain other characteristics of vehicles, such as lengths, was achieved by Directive 85/3, which has been replaced by a more recent text. It is important to emphasise that more recent progress results from work on harmonisation that has been going on for nearly forty years.

The most recent Directive to date is Council Directive 96/53/EC of 25 July 1996, laying down the maximum authorised dimensions for certain road vehicles operating in the national and international traffic sector within the community and the maximum authorised weights in international traffic. This Directive begins by stating that Directive 85/3/EEC has been significantly amended on many occasions, and that on the occasion of its further amendment it should be recast, for reasons of clarity and rationality, as a single text together with Council Directive 86/364/EEC of 24 July 1986, which concerns proof of compliance of vehicles with Directive 85/3/EEC.

Directive 96/53/EC stipulates that a Member State may not reject or prohibit the use on its territory:

- in international traffic, of vehicles registered or put into circulation in any other Member State for reasons relating to their weights and dimensions,

- in national traffic, of goods vehicles registered or put into circulation in any other Member State for reasons relating to their dimensions,

provided that such vehicles comply with the limit values specified in the Directive. These limit values are a maximum length of 12 metres for a motor vehicle, 16.5 metres for an articulated vehicle, and 18.75 metres for a road train. The maximum width of any vehicle is 2.55 metres with the exception of conditioned vehicles (2.6 metres for the latter). The maximum authorised weights are 40 tonnes for a road train or articulated vehicle with 5 or 6 axles, and 44 tonnes for a 3-axle motor vehicle with a 2-axle or 3-axle semi-trailer transporting a 40 foot ISO container for combined transport.

However, Member States may allow vehicles or vehicles combinations for goods transport, carrying out certain national transport operations that do not significantly affect international competition in the transport sector, to circulate in their territory with dimensions deviating from those laid down in the Directive. The Member State that permits transport operations to be carried out on its territory by vehicles or vehicle combinations with dimensions deviating from those laid down in the Annex to the Directive, also permits motor vehicles, trailers and semi-trailers which comply with the dimensions laid down in the Annex to be used in such combinations as to achieve at least the loading length authorised in that Member State, so that every operator may benefit from equal conditions of competition (modular approach). The Member State concerned which has to adapt its road infrastructure may nevertheless – until 31 December 2003 at the latest – prohibit the circulation on its territory of vehicles or vehicle combinations engaged in national goods transport operations, which exceed current national standards on dimensions.

The Directive also stipulates that Member States may allow vehicles or vehicle combinations used for goods transport and registered or put into circulation before the implementation of this directive to circulate on their territory until 31 December 2006 with dimensions that exceed those laid down in the Annex to the Directive, because of differing national provisions or methods of measurement.

Whether in European Union countries – until such time as dispensations come to an end – or in European countries in general, differences remain regarding weights and dimensions, as illustrated by the tables in Annex 2, which are partly taken from the May and June 2000 issues of the *Officiel des Transporteurs*.

Let us recall briefly that, within the ECMT, the provisions in force result from Resolution 91/1, adopted by the Council of Ministers in Antalya on 22 and 23 May 1991. This Resolution stipulates that any Member Country that authorises higher weights and greater dimensions than those laid down

in the Resolution may limit their application to vehicles registered in or put into circulation in that Member Country when used in domestic traffic in that Member Country. Moreover, Member Countries may not reject or prohibit the use on their territories in international traffic of vehicles registered or put into circulation in any Member Country applying this Resolution, for reasons relating to their weights and dimensions provided that such vehicles comply with the limit values specified in the Annex to this Resolution.

Environmental standards

The environmental protection argument has an increasingly prominent place in the political debate in developed countries, be it the United States, Japan or Western Europe and concern over this matter is beginning to have certain repercussions in Central and Eastern Europe. In Western Europe, the provisions intended to ensure greater respect for the environment form a relatively consistent set of measures but they are still in the embryonic stage to the east of the European Union (Bernadet, 1998). Of the various ways of combating the negative effects of road transport, monitoring air pollution and noise at the source is the approach chosen by the European Union, involving the establishment of standards for the construction of heavy vehicles. The EURO 1 and EURO 2, 3 and 4 standards have thus been successively defined:

Table 1. **Emission standards for heavy-duty vehicles**

	EURO 1	**EURO 2**	**EURO 3**	**EURO 4**
Date of application:	**1st October 1993**	**1st October 1996**	**1st January 2000**	**1st June 2005**
CO	4.9	4.0	2.1	1.5
HC	1.23	1.1	0.66	0.46
NOX	9.0	7.0	5.0	3.5
Particles	0.4	0.15	0.1	0.02

In g/kWh

It can be seen that a EURO 3 vehicle, according to the criteria considered, produces less than half as much pollution as a EURO 1 vehicle. A EURO 4 vehicle will produce less than a third as much.

1.5 Regulation of the use of vehicles

European regulations on driving time, although their main aim is to promote road safety by preventing excessive driving time on the roads, has a significant economic effect since it is a factor in standardising conditions of intermodal competition. The European Community intervened very early on in the field of social legislation, since a first Regulation on driving and rest periods was adopted in 1969. The spirit of the text mainly concerns improvements in road safety, and this is jeopardised by excessive driving time and inadequate rest periods.

Regulations on driving and rest periods have been identical in all the Member States of the European Union and indeed in most countries of Europe since the application of the UN/ECE European Agreement concerning the Work of Crews of Vehicles engaged in International Road Transport (AETR), which dates back to 1970 and which is now fully in line with Regulation 3820/85

of the EU. More precisely, the AETR Agreement declares that vehicles registered in third countries are subject to Community standards on driving and rest time as soon as they enter the territory of a European Union Member country.

It might be said that since 1969 the community authorities, prompted by a threefold concern for road safety, harmonisation of conditions of competition and social progress, have been drawing up and implementing rigorous regulations on driving and rest periods, in addition to certain other points thought to have an influence on road safety (minimum age of drivers, ban on incentive payments). As a result of this regulation, we now have Council Regulation EEC No. 3820/85 of 20 December 1985 "on the harmonisation of certain social legislation relating to road transport", in place of the former Regulation which dated from March 1969.

Unlike the labour regulations, the regulation on driving and rest periods applies to all drivers, whether they are staff employees or self-employed, whether driving is their normal activity or an occasional one, for a public transport (or comparable) undertaking or for an own-account operator.

Regulation 3820/85 excluded certain categories of vehicle from its field of application: thirteen, to be precise, eleven of which have to do with the transport of goods. These are:

- Vehicles used for the carriage of goods where the maximum permissible weight of the vehicle, including any trailer or semi-trailer, does not exceed 3.5 tonnes.

- Vehicles with a maximum authorised speed not exceeding 30 km/h.

- Vehicles used by or under control of the armed services, civil defence or fire services; vehicles used in connection with refuse collection and disposal; vehicles used in emergencies or rescue operations; vehicles used for medical purposes; vehicles transporting circus equipment; specialised break-down vehicles; vehicles undergoing road tests; vehicles used for non-commercial carriage of goods for personal use; vehicles used for milk collection from farms.

Apart from the aforementioned exceptions, Regulation 3820/85 lays down four standards for the types of transport it governs, limiting continual driving time in one day or one week or over two consecutive weeks. The maximum period of continual driving is thus four and a half hours, after which the driver must observe a break of at least 45 minutes, unless he begins a rest period. The daily driving period consists of the total driving period between two daily rest periods or between one daily rest period and a weekly rest period. The total daily driving period must not exceed 9 hours, although under Community regulations it may be extended twice a week to 10 hours. After no more than six daily driving periods, the driver must take a weekly rest period. This means that the weekly driving period is limited to (9h x 4) + (10h x 2) = 56 hours. The total period of driving in any one fortnight shall not exceed 90 hours.

As for the rest periods, Regulation 3820/85 states that they consist of any uninterrupted period of at least one hour, which the driver may spend as he likes. In each period of 24 hours the driver shall have a daily rest period of at least 11 consecutive hours. In certain conditions, the normal period of eleven hours may be reduced to a minimum of 9 consecutive hours three times in any one week. Moreover, rest period may be taken in two or three separate periods subject to certain conditions: one of the periods must be of at least eight consecutive hours, for example. In the course of each calendar week, one of the rest periods (one or two drivers) shall be extended to 45 consecutive hours by way of weekly rest. However, the weekly rest period may be reduced to:

– Thirty six consecutive hours if taken at the place where the vehicle is normally based or where the driver is based.

– Or even to 24 consecutive hours if taken elsewhere (long-distance transport, for example).

Each reduction shall be compensated by an equivalent rest period taken en bloc, i.e. it may not be divided, before the end of the third week following the week in question.

The implementation of these provisions proves to be very complex and it would be true to say that infringements of the regulations on driving and rest periods have long been commonplace. The situation is gradually developing along the right lines, and undertakings are not drawing up transport plans that routinely violate the regulations, at least when they provide their own transport, i.e. when they do not sub-contract. It may be agreed that, while promoting road safety, this regulation also affects the operating costs of the undertakings that observe it, which is a factor in harmonising conditions of competition both within the sector and between road transport and its competitors.

Measures on driving and rest periods, aiming to prevent fatal road accidents caused by fatigue are not the sole prerogative of the European Union or countries that are signatory to the aforementioned AETR agreement. In December 1996, a report by Australia's National Road Transport Commission recommended that the same regulations be introduced (except in the Western and Northern Territories). The provisions, which were much simpler than those of the European regulations, stipulate a maximum daily driving period of twelve hours, plus two hours of related tasks, with a thirty minute break from driving in each period of five-and-a-half hours, and at least twenty-four hours rest in each seven day period. The driving period may be extended to fourteen hours a day in one fortnight provided that the driver has had special training and has undergone a medical examination, and that the undertaking has formally agreed that the cycle of driving and rest periods will be strictly adhered to.

These provisions show that the driving or working time of road transport drivers is a universal concern of governmental authorities, though we might regret the fact that the European approach provides for highly complex arrangements and monitors driving time rather than working time as a whole, despite more recent initiatives that have failed, notably for lack of an agreement to include drivers who were not staff employees.

1.6 Taxation of vehicles

Given that the elimination of distortions of competition between transport undertakings calls for both the harmonisation of levy systems and the establishment of fair mechanisms for charging infrastructure costs to hauliers, and that these objectives can only be achieved in stages, Directive 1999/62 of the European Parliament and of the Council of 17 June 1999 – leaving aside the fact that work on harmonisation began twenty-five years ago – established framework conditions for charging vehicles for the use of infrastructures in the European Union Member Countries. This Directive applies to vehicle taxes, tolls and user charges.

With respect to **vehicle taxation**, the Directive stipulates that whatever the structure of the taxes referred to in the Directive, Member States shall set the rates so as to ensure that the tax rate for each vehicle category or sub-category referred to in the Directive is not lower than the minimum laid down in the Annex to the Directive. By way of illustration, we might consider that for a vehicle with 3+2 axles, of a total authorised laden weight of at least 40 tonnes but no more than 44 tonnes, the minimum rate of tax is 929 Euros per year if it has standard suspension and 628 Euros if it has air-cushion

suspension or recognised equivalent. For a vehicle in the same weight range but which has 3+3 axles, the minimum rate of tax is 535 Euros for a standard vehicle and 336 Euros for a vehicle with air-cushion suspension, or equivalent.

The Directive stipulates in Chapter 3 that Member States may maintain or introduce **tolls and/or user charges** for the use of motorways or other multi-lane roads with characteristics similar to those of motorways, or of bridges, tunnels or mountain passes. Tolls and user charges may not discriminate, directly of indirectly, on the grounds of the nationality of the haulier or the origin or the destination of the vehicles. Furthermore, tolls and user charges shall be applied and collected, and their payment monitored in such a way as to cause as little hindrance as possible to the free flow of traffic and to avoid any mandatory controls or checks at the Community internal borders.

User charges, including administrative costs, for all vehicle categories, shall be set by the Member States concerned at a level which is not higher than the following maximum rates (in Euros):

Table 2. **User charges**

Category	3 axles max.	4 axles min.
NON EURO	960	1 550
EURO 1	850	1 400
EURO 2 and less polluting	750	1 250

These categories determine the charges imposed on heavy goods vehicles according to the damage to the infrastructures and air pollution they cause.

Maximum monthly and weekly user charges are proportional to the duration of the use made of the infrastructure. The daily user charge is 8 Euros for all categories of vehicle.

For two years after the date of entry into force of the Directive, Greece, Italy, Portugal and Spain were authorised to charge reduced rates, equivalent to at least 65% of the minimum rates laid down by the Directive.

It was stipulated that Member States applying a user charge should, until two years after entry into force of the Directive, apply a 50% reduction in the rates of user charges for vehicles registered in Greece because of its geopolitical position. The Commission might decide to authorise an extension of this reduction by these Member States from year to year.

Tolls are related to the costs of constructing, operating and developing the infrastructure network concerned. Member States may vary the rates at which tolls are charged according to:

- Vehicle emission classes, provided that no toll is more than 50% above the toll charged for equivalent vehicles meeting the strictest emission standards.

- Time of day, provided that no toll is more than 100% above the toll charged during the cheapest period of the day.

Tolls and user charges may not both be imposed at the same time for the use of a single road section. However, it is stipulated that Member States may also impose tolls in networks where user charges are levied for the use of bridges, tunnels and mountain passes.

As for **excise duties on fuel**, the most recent text is Council Directive 92/81/EEC, which stipulates that Member Countries shall, from no later than the 1st January 1993, impose excise duties on mineral oils, which shall be no lower than the minima set by the Directive. The minimum excise duty on Diesel used as a fuel is set at 245 ECU per 1 000 litres, except in the case of Luxembourg and Greece, where the minimum excise duty, in the period from 1st January 1993 to 31 December 1994, was set at 195 ECU per 1 000 litres. Every two years, the Council conducts a review of the excise duties in the Directive, on the basis of a report and if necessary a proposal from the Commission, and, acting unanimously after consultations with the European Parliament, lays down the necessary measures.

It should be noted that, as will be seen later in connection with international transport, complete harmonisation of the conditions of competition has not been achieved; hauliers of different nationalities continue to be treated differently; it has been a question of achieving political compromise rather than the optimal situation in terms of harmonising conditions of competition between countries.

1.7 Possible developments in the regulatory framework for national transport

In view of the substantial liberalisation of domestic transport within the European Union zone (the last countries may serve as a model), a final possibility is open to the government authorities: that of authorising own-account transport operatives to work for hire or reward. In Europe, only the United Kingdom promoted such a change – between 1970 and 1978 – before the criteria for admission to the public transport occupation were instituted in accordance with European legislation. The main argument put forward for maintaining restrictions is that own account transport operatives could charge at a marginal level, or, where appropriate, subsidise an extra or return load from their principal activity. Competition with professional hauliers would thus be unfair.

The question of possible unfair competition was examined in the United Kingdom. The Foster Commission pondered this question in the seventies and concluded that it was not true that own-account transport operators routinely undercharged for their services in a hire or reward situation. The Commission concluded that the benefits of more efficient transport resulting from the ability of own account operators to engage in transport for hire or reward prevailed over the possible adverse effects on commercial transport companies.

In practice, own account transporters in the United Kingdom have taken little advantage of their freedom to engage in transport for hire or reward. Eight years after this freedom was granted, transport for hire or reward by own-account transport operators represented only 2.7% of the tonnage transported on own account in the United Kingdom (Cooper, 1994). This limited penetration of the market may be explained by the organisational constraints on own-account transport and the need to work out transport arrangements that are compatible with the need to deliver freight on own account. Furthermore, own-account transport operations involve relatively short distances, making the possibility of obtaining a return load more difficult. Moreover, the general trend is for transport of hire or reward to take over the own-account transport markets, owing to the tendency of industrial and commercial companies to concentrate on their main activity, leaving the task of developing advanced logistic services to transport companies.

The United Kingdom's experience would tend to prove that granting the freedom to engage in transport for hire or reward to own-account transport operators in no way disturbs the equilibrium of the markets. However, it is not possible to grant own-account transporters unlimited freedom to engage in transport for hire or reward, simply because admission to the occupation is subject to certain conditions, as own-account transport is not. There are nevertheless two possible developments, a "moderate" one however would consist in authorising the hire of vehicles with drivers for own-account transport. In France, hire of vehicles with drivers is allowed for own account transport, since conditions for admission to the occupation of hiring out vehicles with driver and that of transport operative are the same. In these circumstances, the hiring out of vehicles with drivers can barely be distinguished from a public transport service. It is therefore necessary to provide for the same conditions for admission to the profession for a public transporter and for an operator who hires out vehicles with drivers. Furthermore, still on the subject of "moderate" development, own-account transport could be carried out by operatives within the same industrial conglomerate consisting of different companies, and transport authorisation for each company in the conglomerate would no longer be limited to each enterprise. Moreover, it is becoming obsolete to require a company to declare the vehicles used for its own-account transport.

A more "radical" change would consist in authorising own-account transport services to engage in transport for hire or reward. It would actually involve merging the two systems, providing for a single body of regulations for admission to the occupations of own-account operator and hire or reward operator. The road haulage sector would become more efficient; having fewer empty return journeys, which is one of the defects of own-account operations in present circumstances. The increase in overall capacity thus produced would not be unsustainable, since it would help absorb the acknowledged growth in demand in the road haulage sector.

2. THE REGULATION OF INTERNATIONAL TRANSPORT

2.1 International transport in the European Union

In the following section, the considerations apply to the fifteen Member States of the European Union, plus Norway, Iceland and Liechtenstein (Lamy, 2000).

Own-account transport

Annex I to the EEC Directive of 23 July 1962, as amended, defines intra-community own-account transport as follows:

"Transport of goods by motor vehicle subject to the following conditions:

– *The goods transported must belong to the company or have been sold, bought, rented, produced, extracted, transformed or repaired by it, or given to it.*

– *The carriage must be used to take goods to the company premises, to send them from the company premises, to move them, either within the company premises, or outside the company premises for its own needs.*

– *The motor vehicles used for this carriage must be driven by members of the company's own staff.*

– *The vehicles transporting the goods must belong to the company or have been bought by it on deferred terms, or hired provided that in the latter case they meet the conditions of Council Directive 84/67 on the use of vehicles hired without drivers for the carriage of goods by road.*

– *Transport must only be incidental to the companies activity as a whole."*

Carriage of goods between countries in the European Union that meet these requirements may be freely undertaken. It will have been noted that the Community's definition of own-account transport, unlike the one in the French regulations, continues to rule out the use of vehicles hired with drivers and even the resort to temporary drivers for the company's own vehicles.

Transport for hire or reward

A range of transport operations (postal transport, transport vehicles that are damaged or have broken down, transport of goods by vehicles whose authorised payload does not exceed 3.5 tonnes, transport of medicinal products or medical equipment, transport of emergency equipment) can be freely engaged in. There are grounds for adding rail–road transport to this list. Transport operations for hire or reward other than those just listed, i.e. most of them, require an operating certificate, namely the Community licence, which replaces bilateral licences at European Union Level (Council Regulation EEC N° 881/92 of 26 March 1992).

Community licence

Transport for hire and reward between member countries of the European Union is conducted under a Community licence, which is issued for a period of five years and is renewable. The licence has a multilateral character since it can be used for transport operations between two member countries, neither of which is the company's country of origin. **Since 1st July 1998, they can be used for cabotage operations within the Member State**.

2.2 International transport outside the European Union

A distinction is made between the two types of operation (own account / for hire or reward), both being subject to the same regime for transport operations beginning or ending in a country outside the European Union zone, except for the fact that ECMT authorisations are only available to hire and reward operators.

Liberalised transport

The transport operations in the following list may be undertaken without authorisation in any ECMT Member country. This list comprises:

- Transport of vehicles that are damaged or have broken down.

- Unladen runs by a vehicle sent to replace a vehicle that has broken down and also the return run, after repair, of the vehicle that had broken down (the Russian Federation entered a reservation on this point).

- Transport of goods by motor vehicle whose total permissible laden weight, including trailers, does not exceed 6 tonnes, or whose permitted payload, including that of the trailers, does not exceed 3.5 tonnes (Austria, Finland and Italy entered reservations on this point).

- Transport of supplies to meet medical and humanitarian needs.

- Transport of goods, on an occasional basis, to airports in the event of services being diverted.

- Transport of works and objects of art for fairs and exhibitions or for non-commercial purposes.

- Transport for non-commercial purposes of properties, accessories and animals to or from theatrical or circus performances.

- Transport of spare parts and provisions for ocean-going ships and for aircraft (the Russian Federation and the Czech Republic entered reservations on this point).

- Funeral transport.

- Transport of livestock in special purpose-built or permanently converted vehicles for the transport of livestock, recognised as such by the Member Countries' authorities concerned; (Austria, Estonia, the Russian Federation, France, Hungary, Poland, the Czech Republic and Switzerland entered reservations).

- Transport of goods on own account (Austria, Belarus, Estonia, the Russian Federation, Finland, France, Hungary, Italy, Lithuania, Poland, Portugal, the Czech Republic and Turkey entered reservations).

In fact this list corresponds to individual transport operations, which means that the vast bulk of European international transport, outside the European Union, is still subject to authorisation. Transport operations other than those listed above, to or from countries that do not belong to the European Union, require an international transport licence of which there are two distinct types:

- The "bilateral" licence, which may be used both for transport on own account and for transport for hire or reward.

- The ECMT multilateral licence, only available for transport for hire or reward.

Bilateral licence

These are licences issued under bilateral agreements entered into by two countries, at least one of which is not a member of the European Union. The purpose of these agreements is to ensure the right balance of traffic between transport operators from the two countries; the agreements also establish the authorised annual number of journeys. The contracting states exchange blank licences, which each issues to its transporters on behalf of the other. Bilateral licences cover the activity of both own-account transport operations and public transport operations; moreover, these licences are the only ones to which own-account operators are entitled for carriage outside the European Union. Bilateral licences cover the major part of transport between two countries when one of them is not an EU Member (Lamy, 2000).

Bilateral licences can be valid for one journey, and thus for a return journey undertaken within a given time (a maximum of 3 months from the date of issue), or for a period of one year and an indeterminate number of journeys. Moreover, it may turn out that the foreign issuing country only makes a certain licence valid for transit, whereas others make them valid for both the return journey and/or transit.

These bilateral licences, granted according to the principle of reciprocity, present the apparent advantage for the issuing countries of enabling them to control the flow of traffic and, in principle, of producing a certain balance of national operators. However, beneath the façade we find that transport is not necessarily provided at the lowest cost, i.e. by the most productive undertaking, but by the undertaking with the licences. There is no guarantee that the most efficient undertaking – either in its own right or buy virtue of its itineraries and loads – is the one that is granted the licence. This acts as a hindrance to the most productive allocation of tasks in the transport field. Moreover, bilateral licences might be in short supply, which would represent a barrier to trade.

The plurality of bilateral agreements, their secret and peculiar character arising from particular provisions, mean that most international transport outside the European Union is provided by virtue of procedures that are far from transparent and which represent exceptions to the rules of the market economy. These transport schemes do not satisfy the effective allocation of resources criteria, in other words there is no attempt to achieve the balance that would result from competition and the free play of economic processes.

It may be observed that the ECMT, having noted that bilateral agreements would remain an important factor, pending the establishment of a universal, multilateral system, encompassing all European states, has submitted a **standard agreement** to its members, with definitions, rules, principles, standards and criteria inspired notably by ECMT resolutions and the statutes of the European Union. A standard agreement such as this, which is not compulsory, is likely to play a significant role in a trend towards harmonisation of the international legal provisions created by the bilateral agreements.

ECMT licences

In addition to the Member countries of the European Union, the European Conference of Ministers of Transport brings together twenty-five other European countries. A quota for multilateral permits was put in place in 1974 to the benefit of undertakings engaged in regular carriage for hire or reward between ECMT Member States. Since 1st January 1999, States have been able to trade in a traditional licence in exchange for two “green” lorry licences or four “greener and safe” licences. These licences are valid for one year but each country is entitled to transform part of its quota into

short-term licences valid for thirty days. The ECMT licences, when they do not contain qualifications, may be used for all public road haulage operations, including transit but excluding carriage within a country, on all infrastructures connecting ECMT Member countries that subscribe to the system. Lastly, it should be observed that these licences, owing to their limited number, only cover a small part of the trade between the countries concerned even if they do have an essential role, especially with respect to the crossing of certain countries, which is a serious limitation for bilateral quotas.

2.3 The liberalisation of cabotage in Europe

The practice of cabotage, or access to national road haulage services within a state by carriers who are not nationals of that state, only concerns the countries of the European Union with the addition of Norway, and is still forbidden in all the rest of Europe. It should be noted that cabotage is the performance of national transport operations by non-residents, and as such it could have been included in the previous chapter on national transport. However, since cabotage is subject to changing Community law and involves transport operations conducted by non-residents, we felt it more appropriate to include it under international transport.

Cabotage authorisations, for which there is a quota, did not enter into force until 1st July 1990, and the number was steadily increased until they were abolished on 1st July 1998. At present anybody in possession of the Community licence may engage in national transport operations in a European Union country in which he is not based. It should be explained that cabotage is carried out with due regard to the country's regulations on transport contracts, weights and dimensions of vehicles, national driving conditions, and taxation or indeed price rules where these are regulated. The haulier engaged in cabotage thus enjoys no privileges by virtue of being a national of a different country from the one in which he is operating.

In the document COM(2000) 105 final of 28 February 2000, the Commission of the European Union takes stock of the situation regarding cabotage in member countries since its introduction. It contains the following information:

- Operations carried out under cabotage authorisations, i.e. between July 1990 and June 1998, represented 10.5 billion tonne-kilometres, or a penetration rate of 0.164% in national transport and 0.66% in international transport. Owing to the rapid increase in the number of cabotage authorisations between 1990 and 1997, cabotage increased by a factor of 6 over this period. Despite a further increase in the number of authorisations at the beginning of 1998, cabotage then experienced a slight decline.

- The hauliers from the Benelux States have been most active in the cabotage market. Under the authorisation scheme, 59% of all cabotage was done by Benelux hauliers, despite their having only 22% of the authorisations. More than 31% was done by Dutch hauliers alone. Hauliers from each of the three Benelux States had an average use per authorisation of between 70 200 and 86 900 km compared with 16 400 km per authorisation for non-Benelux hauliers. Other active hauliers in the cabotage market were the French, the Danes and the Swedes. The German, Italian and United Kingdom hauliers were not very active, although the three countries together had more than 30% of the total number of authorisations.

- Hauliers from "low labour cost" countries (Greece, Spain, Portugal), only carried out 2% of the cabotage under the authorisation scheme, although they had been allocated more than 16% of the authorisations. This shows that the fears that hauliers from "low labour cost" states would invade the national markets were unfounded.

– The figures show that more than 68% of cabotage was carried out in Germany. The cabotage penetration rate in that country, as a proportion of the internal transport market, was close to 0.75% in 1997, which meant that Germany had a very substantial negative balance of cabotage. 12.6% of cabotage was carried out in France, where the penetration rate was 0.21% in the national market, so that there was a zero or even slightly positive balance of cabotage in that country. The third most popular state was Italy, with 7% of all cabotage but a negative balance. The other countries with negative balances were Spain, Greece and Norway.

– The most active were the Dutch hauliers in Germany, who carried out 27% of all cabotage. They were followed by the Belgian hauliers in Germany, who carried out 10%. However, before the liberalisation of cabotage, Belgian hauliers in Germany were overtaken by Luxembourg hauliers in Germany and by Belgian hauliers in France in terms of their share in cabotage overall. Before this liberalisation of cabotage, Swedish and French hauliers in Germany each provided for more than 6% of all cabotage.

– Lastly, there was no "explosion" of cabotage when quantitative restrictions were lifted on 1st July 1998. This conclusion – only provisional on the date when the Commission document was drafted – was based on data from five countries (France, Netherlands, Netherlands, United Kingdom, Norway and Finland). The data from these countries show only a 2% increase in cabotage, measured in tonne-kilometres, after the restrictions had been lifted.

In conclusion, cabotage operations increased considerably between July 1990 and June 1998. However, in 1997, the number of tonne-kilometres performed in international transport between Member Countries was 70 times higher than in cabotage. 68% of all cabotage was carried out in Germany, but even in 1997, the German national transport market was 100 times larger than the cabotage market in Germany. It seems that there was no explosion in cabotage after liberalisation and that "low labour cost" countries did not invade the markets of countries whose costs in this area, or in the area of services in general, were less advantageous.

The main effect of cabotage will have been to speed up changes in regulations in the countries where cabotage is conducted. Thus the lifting of regulations on capacity in Germany will have coincided with the abolition of quantitative restrictions on cabotage in the European Union countries. Two such distinct regimes cannot coexist. It is clear that, inasmuch as deregulation forces the price of transport downwards, the possibilities offered by cabotage are less attractive than they would be in a context of regulated loads and prices. This certainly explains the limited scope of cabotage. It is also undeniable that hauliers have preferred to acquire or set up branches in another country, taking advantage of the greater ease with which this can now be done, rather than exhaust the possibilities offered by cabotage. Moreover, in a more liberal regime, cabotage is only one opportunity amongst others open to hauliers.

In addition to the developments just presented, there have been further moves towards substantial liberalisation within the European Union; it will be noted that other measures adopted in Europe aim to facilitate trade in the road haulage sector; the UN/ECE TIR Convention is a particular case in point.

2.4 The TIR Convention

It is worth just recalling that the provisions intended to simplify the customs regime for international transport operations ("The TIR Convention") were adopted and then amended. The most recent provisions entered into force on 17 February 1999.

The TIR customs transit procedure permits the international carriage of goods, as long as a road leg is involved, in international journeys from a customs office of departure to a customs office of arrival, through as many countries as necessary, without any intermediate frontier control of the goods carried. This facilitation of international goods transport requires a number of measures to be fulfilled and applied by customs authorities and transport operators. They include the use of customs-approved vehicles and containers, the use of the TIR Carnet as an international customs document, the provision of an international TIR guarantee and the mutual recognition of customs control measures in the countries involved. Lastly, access to the facilities of the TIR regime is controlled by the competent national authorities in co-operation with the TIR Executive Board (TIRExB) in Geneva, an intergovernmental organ established by the Contracting States to the Convention.

In 2000, nearly 2.8 million TIR transport operations have been carried out in Europe, facilitating in particular East-West pan-European road transport as well as transport along the South-Eastern European corridor to and from Turkey and the Middle East.

Let us give a brief outline of this Convention with the latest amendments:

In order to prevent the adverse effects of waiting at frontiers, a first "TIR" Convention on international transport of goods was signed in Geneva in 1959. Review of the agreement, made necessary by changes in customs procedures and the adherence of countries applying different administrative methods, led to the new TIR Convention of 14 November 1975. It was noted, between 1990 and 1995, that the TIR regime gave rise to a considerable amount of fraud. For this reason, as well as to take account of the extension of the number of Contracting Parties to the Convention to, at present, 63 countries including the European Community, a TIR revision process has been initiated in the second half of the 90s. A first package of amendments, negotiated under the auspices of the United Nations Economic Commission for Europe (UN/ECE), has entered into force on 17 February 1999 and a second package of amendments has been finalised in October 2000 and is expected to enter into force by mid-2002. A third package of amendments is currently under preparation by the UN/ECE and the TIR Secretariat and will mainly focus on the computerisation of the TIR procedure to bring it in line with modern industry and customs requirements.

To meet the requirements of international road traffic, the TIR Convention presents a certain number of advantages:

- The Convention allows the bearer of the TIR carnet to use it in combined transport operations. The convention is multimodal in scope.

- The TIR carnet, simple in conception and the way in which it is used, facilitates the work of undertakings and customs.

- A single TIR carnet may cover a road train or several containers on a single vehicle.

- The guaranteeing associations authorised to issue TIR carnets are no longer liable to the financial penalties exacted following customs infringements.

- Customs rights and duties will not be demanded if it has been established that goods have been destroyed or lost by accident or force majeure – though not if they have been lost as a result of theft.

- Where a TIR carnet has not been discharged, the time limit in which the competent authorities may claim payment of the sums from the guaranteeing association is one year, extended to two years in the event of fraud. This means that the safeguarding association is better able to safeguard its rights.

- No guarantee or temporary import document shall be required for the vehicle.

- It is agreed that a different customs office of destination may be used instead of the one originally designated.

- Transport operations can only be carried out with the use of road vehicles that have been approved by the competent authorities. The vehicles destined for TIR transport operations will have been constructed or converted in such a way that:

    - customs seals can be simply and effectively affixed to them;
    - no goods can be removed or introduced without leaving visible traces of tampering or without breaking the customs seal;
    - they contain no sealed spaces where goods may be hidden.

Unlike the previous provisions, which aim to make international trade simpler, it should be noted that there are limits to the extent to which international road transport operations are facilitated (cf. Lamy, 2000).

2.5 Restriction on the circulation of vehicles in international transport

Regulations exist whose object is to impose constraints on the circulation of vehicles on the territory of a given country. There are many countries that impose a ban on the circulation of heavy goods vehicles at certain times for example. In fact, all countries have powers to ban heavy goods vehicles to a greater or lesser extent. Eight European Union Member countries in particular (Austria, Germany, Spain, France, Italy, Luxembourg, Portugal and Greece) impose restrictions on heavy goods vehicles in order to prevent congestion on weekends and public holidays. The general picture is a that of an incoherent patchwork which may serve to hinder international transport. It may be assumed that these regulations do not form a coherent whole across the countries of the European Conference of Ministers of Transport, bearing in mind that two countries in particular – Switzerland and Austria – have adopted measures for vehicles in transit through their territory, which aim to give rail a better share in the modal split.

Policy of Switzerland

Having said “no” to the EEA agreement in 1992, Switzerland has embarked upon a process of ratifying bilateral agreements with the European Union and its Member States. One of the seven agreements concerns land transport. It includes provisions to raise the maximum authorised weight on Swiss roads to 34 tonnes, launch a new pricing system for infrastructure use and introduce quotas for lorries of up to 40 tonnes, which will not be fully authorised until 2005. The number of quotas will be 300 000 in 2001 and 2002 and 400 000 in 2003 and 2004. Quotas will be distributed according to the extent to which different countries contribute to the main traffic flows. The 34-tonne limit, the new pricing system and the 40-tonne quotas came into force on 1 January 2001.

The land transport agreement will help to achieve one of the essential goals of Swiss transport policy, namely to transfer as much traffic as possible to rail. The goal must be met by:

- Dissuading traffic from using the roads and therefore charging for the use of road infrastructure;

- Attracting traffic onto the railways and therefore increasing the availability of combined road/rail transport and piggybacking.

This goal is written into an article of the Constitution, which provides for the equivalent of all road transit traffic plus the increase in the amount of transalpine traffic (from 1999) to be transferred to rail by no later than 2008 (Friedli, 2000), following the opening of the new base tunnel (Lötschberg), followed by the Saint-Gothard tunnel (2012). Swiss and foreign lorries must be treated in the same way and the instruments used are those of the market economy. The cornerstone of the plan is the system of proportional fees for heavy goods vehicles (HVF). This is based on distance travelled, the authorised weight of heavy vehicles, and their emissions; it applies to all vehicles with a laden weight of more than 3.5 tonnes circulating in Switzerland. For a 40-tonne vehicle on a 300-km journey, the charge will average SF325 by 2008 at the latest.

Policy of Austria

Austrian transport policy has several objectives:

- Development of a sustainable transport system due to the requirements of the population and the environment.

- To make the modes of transport bear the cost of the nuisance they cause.

- To promote environmentally friendly modes of transport such as combined transport, piggybacking.

- To enhance intermodality of transport modes.

- To apply the most recent environmental standards and to differentiate charging rates according to the environmental impact of vehicles.

- A quota system with the Eastern European countries where Austria is promoting the use of vehicles that are less polluting.

- Eco-points for transit traffic in Austria granted to vehicles weighing more than 7.5 tonnes. The distribution scale was worked out on the basis of around 1.5 million transit journeys spread across the European Union countries. Eleven million Eco-points were distributed in 1999, but the plan is to distribute 8 million in 2003. In fact, with the use of more environmentally friendly vehicles, it has been possible to achieve an increase in traffic together with a reduction in Eco-points. However, a safeguard clause stipulates that if the total number of lorries in transit over one year exceeds the corresponding number for 1991 by more than 8%, the number of Eco-points will be reduced on the basis of a given formula. It should be noted that the Eco-points system is due to be suspended in 2003.

- To increase existing railway capacity by improving and developing rail infrastructure on especially relevant major axes.

As a member of the European Union, Austria may not increase charges on the arterial routes through the Alps to finance investment in the railways, since the amount charged must be proportional to the costs of road infrastructure. Therefore it is more and more difficult to finance huge infrastructure projects such as the Brenner tunnel by the general budget.

The examples of Switzerland and Austria show that in Europe, heavy goods traffic on certain sensitive routes has a negative image as a result of the nuisance it causes. In fact, in most European countries, an argument is arising over the merits of the transport policies that have led to the development of today's road transport. This argument has a certain theoretical base in that the transport markets are incapable of taking account of externalities such as pollution or the human cost of accidents. Moreover, Swiss and Austrian transport policy shows that in Europe it is difficult to envisage the development of the roads sector without considering the potential for modal transfer.

2.6 The shortcomings of the markets

It is clear that costs are incurred by the community as a result of transport operations, since costs are not fully covered by the price of transport. This applies to:

- Noise and pollution to which those living alongside infrastructure are subject.
- Disturbance to ecosystems and ecological environments.
- The effects on local economic development, which are by no means unequivocal.
- The reciprocal nuisance, in the form of greater congestion ("waste of time"), resulting from increased use of the public highways.
- The contribution to greenhouse-gas emissions.
- The aesthetic consequences of the intrusion of transport infrastructure.
- The intangible costs of accidents in cases of minor or serious injury or death.
- The consequences for biodiversity of the destruction or splitting-up of natural habitats.

If the best decisions are to be taken, transport prices must reflect these different costs, and this is not the case at present, or only partially. It should not be forgotten that the price of a service gives the potential client an indication of the amount of resources employed and consumed in the act of producing the good in question.

One of the means frequently used to maintain optimum standards where external effects pose a threat is to tax the source of these effects. It is also possible to take action by way of regulation, by imposing restrictions on the source of nuisances. This was the object of introducing vehicle emission standards and providing for increasing degrees of rigour (standards EURO 2, 3, 4 then 5).

The fact is that, as far as these effects are concerned, there is no market and no market price that might provide a means of mediating between those emitting gases and those affected since no permit to emit pollutants has been instituted. We are therefore reduced to calculating shadow prices that reflect what the prices would be if there were a market. The object is to imagine markets for external effects, while setting the shadow price at the intersection of the estimated supply and demand curves. In most cases there is insufficient data available to draw the two curves and certain hypotheses must therefore be assumed for the purpose of determining the shadow prices. Two approaches are used: We may assume that the marginal impact of an effect remains constant, for example, all road accidents can be presumed to have a constant impact, i.e. an identical social cost. Alternatively, we can replace individual preferences with community norms that explicitly reflect the level of environmental protection people want. This method has the advantage of being based on a political consensus.

In its report "Efficient transport for Europe", the ECMT has estimated the shadow prices for different externalities. The results are to be found in the following table:

Table 3. **Shadow prices for the externalities of heavy-duty vehicles**

Specific accident costs	21
Noise costs	8
Air pollution costs	20
Climate change costs	10

In Euros per 1 000 tonne-kilometres.

This gives a total of around 60 Euros per 1 000 tonne-kilometres. The scale of this will be appreciated if we bear in mind that it amounts to 600 Euros for a 20-tonne load over 500 kilometres. Compared with road haulage prices charged in some areas of international transport, this would virtually correspond to a 70% or even 100% increase in the market price, bearing in mind that current taxation only covers the infrastructure costs arising from damage to highways by heavy goods vehicles. In the light of these figures, we may state that the market does indeed fail to establish prices in line with optimum allocation of resources. Government intervention is therefore required if we are to take account of the potential damage a particular vehicle can do (size), the itinerary used and the time of day it is used (variable congestion), as well as the risk of accidents.

2.7 Possible changes in the regulatory framework for international transport

The regulatory framework for international transport could change if certain guidelines were adopted, all of which would serve to increase competition within the international road haulage sector.

In the ECMT countries it would be possible to liberalise – i.e. dispense with licensing – international own–account transport. This change would be an alternative to increasing the ECMT quota, since industrial and commercial undertakings would be authorised to provide for their own transport needs, which is not possible under the licence quota system as there are no longer enough licences available. This change would not have harmful consequences if the vehicles used in own-account transport operations complied with the highest environmental standards. It may well be feared that the consequence of this change in the regulations would be an increase in the number of vehicles in transit through sensitive zones. Requiring the vehicles to comply with the highest environmental standards would limit adverse effects on the environment. Moreover there has long been own-account transport within ECMT member countries, especially over short distances. Therefore, it cannot be supposed that own-account transport would replace hire or reward transport for these countries' international transport operations. This would probably, however, be the case for new member countries. In the circumstances, the liberalisation of own-account transport would give these countries a bonus which they would have to pay for by being obliged to use safe, environmentally friendly vehicles.

As for international transport on account of third parties In ECMT countries, it is possible to imagine that the licence quota will be substantially increased and ultimately replaced with a certificate, which would show that undertakings have been entered in an ECMT register, and would guarantee that the criteria of good repute, professional competence and financial standing are fulfilled. This would amount to liberalisation of transport for hire or reward in the ECMT countries. The problem of

transit through sensitive zones, as illustrated in the case of Austria and Switzerland, will be less of an obstacle in the future if Switzerland constructs railway infrastructure for modal transfer as planned, and if these countries establish a charge for the use of road infrastructures, proportional to the use made of them. Moreover, such liberalisation can only be contemplated once very rigorous standards for vehicles have been introduced. It should be noted in connection with such an eventuality that taxation as it is imposed at present does not give rise to insurmountable differences in the competitiveness of international transport operators, even though conditions in the European area are not uniform.

Table 4. **Taxation rates for internal transport**

Country	Net taxation (500 km-40t) (Euros)	Net taxation t-km (Euro-cents)
CH (28 t)	77.85	0.5561
F (tolls over 250 km)	105.60	0.5280
D	59.46	0.2973
A	56.21	0.2811
GB	120.41	0.6021
NL	56.19	0.2810
E (tolls over 250 km)	84.19	0.4210

Source : ECMT.

This table was drawn up using the standard internal transport method, consisting in comparing taxation on a road haulage vehicle that covers 500 km in its country of origin. If the net taxation per tonne-kilometre is known, it is possible to take account of the fact that, in the case of Switzerland, the authorised driving weight was limited to 28 tonnes at the time the study was made (1998). In countries with a comparable level of development, taxation levels may vary by twice as much. These differences have repercussions on the cost of providing road haulage services for internal transport.

If we now examine international transport, the general picture changes in that part of the taxation is largely territorial (taxes on fuel) or completely territorial (tolls) and applies to any haulier crossing a given country, whatever his country of origin. The tax burden, for the same itinerary [two itineraries in the table: Manchester to Milan (type 1 itinerary) and Manchester to Zaragoza (type 2 itinerary)] tend to even out – in any event it proves to be much more egalitarian than if we compare tax levels for national transport. In the table, taxation is expressed as a percentage of the price of Diesel before tax. In this instance, the very favourable position of French transporters is explained by the refund of the flat-rate tax per vehicle (wheel axle tax) in proportion to the kilometres covered in other countries. It may be concluded from the following table that distortion of competition as a result of taxation is less marked in international transport than in internal transport owing to the territorial nature of certain taxes (partial for fuel, total for tolls).

Table 5. **Synthetic taxation levels as a percentage of the price of fuel before tax on certain itineraries**

Country of registration	Type 1 itinerary	Type 2 itinerary
CH	645%	527%
F	618%	496%
D	633%	514%
A	642%	523%
GB	684%	567%
E	620%	500%
NL	624%	504%
I	628%	508%
B	626%	506%

Source : ECMT.

This should deter opposition to greater liberalisation of international transport at ECMT European level. Thus, a future scenario could, as we have said, involve a substantial increase in the ECMT multilateral quota and its eventual replacement with a certificate showing that the undertaking has been entered on a register, having satisfied very rigorous criteria governing access to the market.

Another change worth recommending would be the institution of a licence quota for cabotage in the ECMT countries. Such a procedure should be very gradual since it too should go hand in hand with the use of the safest vehicles, meeting strict environmental standards. We have seen that cabotage in the European Union has not disturbed the market, since operators from "low labour cost countries" have not invaded the markets of countries with less advantageous labour costs.

Lastly, the hiring of vehicles with drivers could be allowed in the European Union for international own-account transport. The advantage of hiring vehicles for such operations is that they allow flexibility, in that companies do not have to buy vehicles to cope with periods of high activity. The drivers also enjoy a certain flexibility in that they do not have to be part of the permanent staff of a company. This explains the success of the practice in countries that allow it. It is easy to imagine it being accepted in the European Union for international own-account transport. However, it would be necessary to institute criteria governing access to the occupation of hiring vehicles with drivers, since the latter would be in competition with transport for hire or reward, the only difference being the identity of the person(s) in charge of the transport operations. Where vehicles are hired with drivers, the company who hires the vehicle is in charge of the transport operations, whereas in the case of transport for hire or reward, it is the haulier. To avoid a situation in which the occupation of hiring vehicles with drivers replaced that of commercial transport, though without being subject to the same rigorous obligations, it would be necessary, as stated above, to institute criteria for access to the former occupation that were identical to those required for transport for hire or reward.

It can be seen from the points raised in these few lines that the essential requirement for all these developments is that the vehicles used must meet the most exacting standards in terms of safety – this goes without saying – and their effect on the environment. Moreover, an increase in competition in the international road haulage market would cause the price of these transport operations to fall and would therefore draw more traffic onto the roads. Such a development would not necessarily be the unanimous wish of the authorities or the public. It is of course possible to establish conditions for greater efficiency in national road transport, but it is nevertheless essential that the consequences should generally be regarded as fully desirable.

CONCLUSIONS

In the long-standing ECMT Member countries, road haulage accounts for over 75% of the tonne-kilometres carried in domestic and international transport. Furthermore, road freight transport is an expanding sector: in 1999, the number of tonne-kilometres grew by 4% in the new Member countries, and by 5.8% in the old ECMT countries, attesting the importance of the issues posed by the dominant inland transport mode.

In the past twenty years, governments have embarked upon the liberalisation of road haulage, mainly in and between the EU countries. Liberalisation was completed in the EU with the creation of the single market and the introduction of cabotage, initially subject to quotas and then liberalised.

The upshot of deregulation in the EU has been large reductions in the price of road haulage services and substantial productivity gains, with a concomitant improvement in quality. At the same time, the profitability of transport operations has declined considerably -- since the excess profits due to regulatory protection have disappeared -- though the largest firms have managed to offset this by sub-contracting on a massive scale.

The progress has been much more modest in a forum like the ECMT: international transport is still subject to a system of bilateral licences -- which provides for numerous exceptions on a case-by-case basis -- while the ECMT quota of multilateral licences represents only a small proportion of international transport, and liberalised transport is marginal.

If we see the European Union as a patchwork of countries whose interests sometimes diverge, we will welcome the continuation of restrictive provisions on international road haulage in the ECMT area. But if we prefer to see Europe as a single area, we will regret that measures undertaken in the European Union in the non-technical fields have not been taken up by a body covering a wider area, unless failure to do so hitherto has been due merely to a lack of time or because there were too many obstacles.

Among those obstacles, particular mention may be made of the lack of harmonisation of the conditions of competition between the ECMT countries, especially in the tax area. In this connection, it may be said that the differences in taxes tend to be smaller in international transport than in domestic transport due to the fact that some taxes are territorially-based. Also, in some countries the taxation of national and international transport is moving towards an electronic system of kilometre-based charges, which is very satisfactory from the standpoint of international harmonisation of conditions of competition provided that thought is given well in advance to ensuring the necessary inter-operability of such systems. This would define the terms of a Europe-wide transition.

Wage disparities create country specialisation in specific goods and services, and do not call for adjustment measures, at least in theory. The most cost-competitive countries would be strengthened by competition when price is the dominant factor, just as competition would strengthen those countries in which quality is the dominant factor -- as long as quality is one of the criteria on which shipping agents base their choice. Each country can have comparative advantages.

One thing should be clear however: more competition in the international road haulage market would make operators more competitive and confirm the dominance of road haulage in short and medium-distance transport if, at the same time, there were no far-reaching reform of rail transport. But the practice of putting up barriers to the growth of road transport in order to give an advantage to rail has been one of the major policy failures of the past thirty years. It would thus be mistaken to continue with such a policy.

As regards the environment, by ensuring that firms use vehicles that come up to the highest standards -- which is the sine qua non of any progress in the regulatory framework for road haulage -- the effects of a possible marginal increase in externalities could be offset.

Also, the reasons put forward for not replacing the complex system of transport regulation in the ECMT by a system based on the laws of competition, are not very convincing. The following possible changes in the regulatory framework for national and international transport which were outlined in this report, and which support this argument, may be briefly recalled:

- For national transport, the hiring of vehicles with drivers could be allowed for own-account transport, or the body of regulations governing access to own-account transport and transport for hire or reward could be merged, thereby giving them the same freedom.

- The hiring of vehicles with drivers for international own-account transport could be authorised, and own-account transport could itself be liberalised. It would also be possible to start working towards replacing the ECMT licence quota system by a certificate showing that an undertaking is on a register kept by each country, which would lay down extremely stringent criteria, especially for the low environmental impact of the vehicles used. As a prelude to these changes, ECMT licences for cabotage could be introduced with a view to laying the foundations of an internal market in the ECMT area.

It should not be forgotten however that road haulage is a dual sector with well-structured undertakings fully conversant with the latest developments in technology and logistics, working side-by-side with small-scale operators who merely provide carriage at very low prices. From the way the sector is made up, it is impossible to detect any signs of economic maturity, since some depend so much on others to offer competitive transport prices. Serious thought must be given to these phenomena but it may be thought that the adoption of more stringent criteria for admission to the occupation and continued activity in it, as well as more stringent controls to ensure compliance with the regulations, is one avenue to be pursued, not to mention supporting changes in the road haulage sector, involving inter alia training the workforce, adopting charters on the environment and safety, providing aid to investment by small businesses, and formulating a clear, unambiguous tax policy.

ANNEX 1

1.1 The French experience

From 1979 onwards, the regulatory framework in France was relaxed by degrees, with the gradual elimination of quotas for transport licences, the abolition of compulsory charges and the adoption of a liberal regime for the hire of vehicles with drivers. In an economic context characterised by low growth and a significant rise in prices, the transport undertakings had to absorb substantial reductions in the price of transport operations (around 25%).

The French transport undertakings reacted by increasing the amount of work sub-contracted, leaving it to small undertakings (most often with one owner-driver) to make transport operations profitable, since this was difficult to achieve at market prices, if the regulations on driving time, for example, were to be fully respected (Violland, 1985). Most often the well-established transport companies encouraged their employees to set up as transport operatives on their own, promising them that they would provide them with freight to be transported in exchange for payment. Acting in this way, as intermediaries, these companies took an important cut (amounting to more than 20% in some cases) of the amount they paid to their sub-contractors. The latter, who were the actual transporters, often found it impossible to cover their costs and they vanished from the sector once they had used up all their capital (small-scale undertakings had even been seen to keep going with negative capital from their own capital resources), only to be replaced by new undertakings that had come into being under the same arrangement and were thus caught up in a very dubious economic process.

It is possible to understand the scale of the phenomenon, bearing in mind that between 1986 and 1992 the number of transport undertakings rose by nearly 50%. This is far removed from the scenario in which the marginal undertakings were the ones to be eliminated, since this process rather encourages the rise of marginal undertakings, though with no prospect of development.

Admittedly, the effects of deregulation of the sector in France must not be seen as being limited solely to this phenomenon (industrial and commercial enterprises have been able to benefit from substantial reductions in transport prices, services have been better adapted to meet the needs of industrial enterprises) but they have significantly marked the development of the sector over the period in question. It should also be noted that the small scale sub-contractors, given the level of payment made to them, have often had no alternative but to violate the regulations in order to achieve greater profitability.

It would be quite right to point out that the poor quality of the initial training given to the operators is the main factor in explaining why, having been made responsible for small undertakings, these operators failed to see that the amount they received in payment was incompatible with the undertaking's ultimate survival. This failure to appreciate that the long-term operation of a firm is a complex matter is at the root of the particularly painful situations experienced by the sub-contracting undertakings created under the arrangement described above.

It is essential to observe that the regulatory framework that had existed before deregulation carried the seeds of this development within the sector: it had granted undertakings in possession of licences privileged access to the freight market, which they were able to exploit to the utmost in the new regulatory framework by transforming themselves into intermediaries between industrial clients and sub-contractors. The rigid regulation of the sector had denied any chance to a number of undertakings. At present nobody would consider going back to the former situation and the process described above must be seen as part and parcel of a difficult transition from an over-regulated sector to a liberalised one.

In spite of everything, a law adopted on 31 December 1992 aims to combat abusive practice in respect of sub-contracting, and in particular the excessively low prices involved. This law provides for a fine of 600 000 francs for "*payment for services by a contractor … at a price which is insufficient to cover:*

- *Costs arising from legal and regulatory obligations, notably with respect to social security and safety.*
- *Cost of fuel, maintenance and vehicle depreciation.*
- *And, in the case of one-man businesses, payment of the owner of the business.*"

Adopted with the best intentions, this law has proved to be ineffective, since it is so difficult to prove that a firm is underpaid by a contractor: the costs of an undertaking may vary enormously and it would seem to be difficult for a contractor to determine whether a payment enables an undertaking to cover its costs.

The main features of the subsequent changes in the road haulage sector may be gathered from a few figures: from October 1994 to October 1996, more than 10 000 road haulage undertakings were created in France – an increase of 30% in two years – just when the economic climate was not particularly buoyant; the index of business start-ups reached the level of 80 at the end of 1996 compared with 100 at the beginning of 95. In fact, 25% of companies had gone under by the end of their first year.

It would seem that a prime characteristic of the sector is the importance of poorly paid, individual undertakings; moreover their numbers continue to grow. These undertakings are highly vulnerable, as the rate at which they fail demonstrates, for the service they provide is hardly any different from that of simple haulage.

The figures demonstrate the ineffectiveness of the aforementioned law: in 1996 the turnover per employee was 332 000 francs in undertakings with fewer than six employees whereas it amounted to 565 000 francs in undertakings with 10 to 19 employees. It is true that undertakings of this size use sub-contractors far more than the others.

As a result, the legislator wished to go further. Thus, as part of the legislation on SMEs of 1996, Parliament adopted the following article: "*Any public transport companies carrying goods by road, and in particular road haulage companies, forwarding agencies or industrial vehicle hire companies, who offer or apply prices that are lower than the cost of the service and do not suffice to cover costs arising from legal and regulatory obligations, notably in respect of social security cover and safety, fuel and maintenance requirements, depreciation or hire of vehicles, shipping documents, excise stamps, and, in the case of one-man businesses, payment of the owner, shall be punished by a fine of 600 000 francs.*"

This law, very similar in spirit to the previous one, which it strengthened, was followed by a change in the majority in the National Assembly. It has remained without immediate effect. However, owing to the greater rigour of the criteria for admission to the occupation, in particular the "good repute" requirement, which stipulates that the applicant must not have been convicted of serious offences (cf. 1.3.2), this law threatens to bar intermediaries from the sector if they apply prices that do not suffice to meet the requirements of their sub-contractors, and also to bar any companies that work at a loss.

It cannot be said that this law has had any effect on the sector; business start-ups have continued, accounting for more than 10% of all enterprises in 1998. Equally revealing is the fact that 72% of the undertakings – those with less than six employees – accounted for only 8% of turnover in the sector for that year. 1.3% of those with more than ten employees accounted for 30%. Around 42% of the firms had no employees and accounted for barely more than 4% of turnover. Thus, 12% of those employed in the sector accounted for only 8% of its turnover in 1998. It would therefore seem that the poor remuneration of small firms has continued.

1.2 The Mexican experience

The road haulage sector was deregulated step by step from 1989 onwards; indeed, the new law was only promulgated at the end of 1993. The main restrictions to be lifted concerned access to the market, since the country was divided into 11 corridors and a permit was needed to operate on any one of them. Others concerned the compulsory freight centres where goods had to be unloaded and loaded, the monopoly enjoyed by the company Multimodal on the movement of containers and the fact that operators were only granted authorisation to load rail freight if they were in possession of a licence. Moreover, in addition to the federal regulations, which seriously restricted freedom of movement on national territory, there were state regulations, which affected transport within a particular state. Transport charges were decreed in order to guarantee fair payment for transport services. Charges varied according to the value of the goods transported.

The upshot of deregulation was that any transporter wishing to operate with one or more lorries was only required to provide proof of his identity and of his ownership of the vehicles to obtain a licence granting the right to conduct transport operations across the whole of Mexican territory. After that, a certificate attesting to the low pollutant emission level of the vehicles was required for the granting of a licence. Companies conducting transport operations for own account were authorised to engage in common carriage. Access to container transport became free as did access to rail freight transport. Compulsory charges were abolished and, after the entry into force of the new regulations, transporters were required to repay the stated value of any goods damaged or lost, and not a fixed flat-rate sum as before. In addition, exemption from certain taxes (including VAT) was abolished and on 1st December 1989 the price of a litre of Diesel was raised by 5.6%.

Between 1989 and 1992, during the period of reform, there was a considerable increase in the number of vehicles in the sector. Between 1989 and 1990, the number increased by 36%, with a further increase of 24% on the 1990 level in 1991. At the end of 1991, available capacity was 60% higher than the 1989 level, partly as a result of the official recognition given to undertakings that had previously been working illegally. This resulted in a severe intensification of competition, with transport prices commonly falling by not less than 15%. Moreover, NAFTA authorised industrial and commercial firms to adopt more complex logistic systems, forcing transport undertakings to improve the quality of their service. Major North American industrialist formed partnerships with transport undertakings who operated through sound networks and introduced innovative technologies and organisational methods (Dutz, Hayri and Ibarra, 1996).

One of the first consequences of deregulation in Mexico is innovation on the part of transport undertakings. Vehicle fleets have been renovated and the use of information technology for commercial purposes has become more widespread. This is the result of the need to minimise costs and to win new customers. However the contrast with the situation of small firms is immense; the latter are having to struggle to survive. They have not been able to modernise their equipment or innovate. It would seem that they even have difficulty in maintaining their fleets of vehicles, since the old lorries are used to provide spare parts. As with the French experience, small undertakings have no direct contact with the clientele. They deal through the intermediary of forwarding agencies and provide transport facilities over limited geographical areas. While the average age of vehicles fell from 5.8 years to 4.8 years for large undertakings between 1989 and 1997, it rose from 6.1 to 9.7 years for small undertakings.

Across the sector as a whole, the productivity of companies increased considerably between 1989 and 1997, with kilometres per vehicle increasing by 42% and the total number of kilometres per employee up by 75%. It is therefore possible to establish that, as a result of the effort to improve economic performance, the sector has been split into two parts reflected in the performance of the large companies, who have been able to take advantage of deregulation, and the more uncertain position of the small undertakings whose very existence is in question, being affected by price reductions in the least diversified segments of the market. Surveys show that small undertakings have had to sacrifice profits in order to stay in the market while the larger undertakings have diversified their services and are no longer simple haulage firms. Here too, given the benefits of deregulation – industrial and commercial companies have been able to conquer new markets owing to the availability of better and cheaper transport services – it may be supposed that such a change was desirable, although it goes hand in hand, as in the case of France, with a deterioration in the situation of the smaller undertakings in the market.

1.3 The experience of the United States

The deregulation of road haulage in the United States was the result of the Motor Carrier Act, approved by Congress in 1980. Barriers to admission to the occupation were thereby reduced and greater contractual freedom granted. The main effect of deregulation, apart from a tripling of the number of undertakings between the mid-seventies and 1992, was the adoption of transport charges based on costs rather than the value of the goods transported (Fruin, 1999). By setting up branches that specialised in the transport of complete batches and by using non-union labour, companies were able to achieve substantial gains in productivity in the transport of batches. Innovative services were introduced with deregulation, such as the express parcel transport service. The increase in competition between transport operators produced benefits for the clients of transport companies, estimated at 4 billion dollars a year. The improvement in the quality of transport has produced gains for shipping agencies estimated at a billion dollars a year. Total logistic costs for the United States economy represented only 10.6% of GDP in 1998 as opposed to 16.8% in 1980. The productivity of labour increased by 2.7% per year between 1979 and 1989. There has been no decline in services to disadvantaged regions and no deterioration in safety, since transport operatives have taken advantage of improvements in vehicles and in infrastructures. Road transport has taken part of the market share from its competitors and one area of concern is the extent to which infrastructure capacity will be able to cope with the growth in traffic. Between 1980 and 1996, growth in traffic was 3.1% per year whereas the capacity of the highways has not increased proportionately. According to projections, traffic on many corridors will exceed the capacity of the infrastructures by 2010.

ANNEX 2

Weights and dimensions in Europe

		D	A	B	DK	E	F	FIN	GB
	Height (metres) :	**4**	**4**	**4**	**4**	**4**	**--[8]**	**4.2**	**--[9]**
Width (m) :	Any vehicle	2.55	2.55	2.55	2.55	2.55	2.55	2.55	2.55
	Refrigerated	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Length (m) :	Motor vehicle	12	12	12	12	12	12	12	12
	Trailer	12	12	12	12	12	12	12	12
	Articulated vehicle	16.5	16.5	16.5	16.5	16.5	16.5	16.5	16.5
	Road train	18.75	18.75	18.75	18.75	18.75	18.75	25.25	18.75
Axle load (tonnes)	Single axle	10	10	10	10	10	13	10	10
	Driving axle	11.5	11.5	12	11.5	11.5	13	11.5	11.5
	Motor vehicle	18	18	20	16	18	19	18	18
	Air-cushioned susp.	19	19		19	19		19	19
	(Semi-) trailer	20	20	20	18	18		20	20
	Triple axle	24	24	27[8]	24	24		24	24
Total authorised laden weight (TALW) (t) :	2 axle	18	18	19	18	18	19	18	18
	3 axle	26	26[1]	26	26[1]	26[4]	26	26[1]	26[1]
	4 axle	32	32[1]	32	32[6]	32[1]	32	32[1]	32[1]
Trailer (t) :	2 axle	18	18	20	20	18	19	20	18
	3 axle	24	24	30	24	24	26	30	24
Articulated vehicle (t):			38[2]					48	
	3 axle (2+1)	28		29	28	28	32	28	26
	4 axle (2+2)	38[5]		39	38	38[5]	38	38	38[5]
	5 axle (2+3)	40		44[3]	42	40	40	42	40
	5 axle (3+s2)	40		44	44	40	40	46	40
	6 axle (3+3)	40		44	48	40	40	48	41
	Trp containers	44	42[2]			44	44	48	44
Road train (t) :			38[2]					60[10]	
	4 axle (2+2)	36		39	38	36	38	36	36
	5 axle (2+3)	40		44	42	40	40	44	40
	5 axle (3+2)	40		44	44	40	40	44	40
	6 axle (3+3)	40		44	48	40	40	53	41

Sources: International Road Transport Union (IRU) / Association française des transporteurs internationaux (AFTRI) / ECMT.

		GR	I	IRL	LUX	NL	P	S	UE
	Height (metres) :	**4**	**4[8]**	**4.25**	**4**	**4**	**4[7]**	**--[8]**	**4**
Width (m) :	Any vehicle	2.55	2.55	2.5	2.55	2.55	2.55	2.6	2.55
	Refrigerated	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Length (m) :	Motor vehicle	12	12	12	12	12	12	24	12
	Trailer	12	12	12	12	12	12	24	12
	Articulated	16.5	16.5	16.5	16.5	16.5	16.5	25.25	16.5
	vehicle	18.75	18.75	18.35	18.75	18.75	18.75	24	18.75
	Road train								
Axle load	Single axle	10	12	10	10	10	13	10	10
(tonnes):	Driving axle	11.5	12	10.5	12[3]	11.5	12	11.5	11.5
	Double axle				20	20	20		
	Motor vehicle	18	24	18				18	18
	Air-cushioned								
	susp.	19		19				19	19
	(Semi-) trailer	20		20				20	20
	Triple axle	24		24[4]	27[4]	27[4]	24	24	24
Total authorised	2 axle	18	18	17	19	21.5	19	18	18
laden weight	3 axle	26[1]	26[1]	26[1]	26	33	26	26[1]	26[1]
(TALW) (t) :	4 axle	32[1]	32[1]	32[1]	32	43	32	32[1]	32[1]
Trailer (t) :								36	
	2 axle	18	22	18	20[3]	20	18		18
	3 axle	24	26	24	30[3]	30	24		24
Articulated								60	
vehicle (t):	3 axle (2+1)			25		30	29		
	4 axle (2+2)	38[5]	40	35	39	40	38		38[5]
	5 axle (2+3)	40	44	40[3]	44	50	40		40
	5 axle (3+2)	40	44	40	44	50	40		40
	6 axle (3+3)	40	44	40	44	50	40		40
	Trp containers	44	44	44			44		44
Road train (t) :								60	
	4 axle (2+2)	36	40	35	39	40	37		36
	5 axle (2+3)	40	44	40	44	50	40		40
	5 axle (3+2)	40	44	40	44	50	40		40
	6 axle (3+3)	40	44	40	44	50	40		40

1. If the driving axle is fitted with dual tyres and air-cushioned suspension or equivalent, or if each driving axle is fitted with twin tyres and the maximum load per axle does not exceed 9.5 t.
2. For vehicles registered in an EU member country, these values are increased by 5%.
3. With air-cushioned suspension.
4. If the driving axle is fitted with dual tyres and air-cushioned suspension or equivalent.
5. With a distance of more than 1.80 m between the semi-trailer's axles and the driving axle fitted with dual tyres and air-cushioned suspension.
6. If the first two axles are driving axles with an axle base of less than 1.8 m and the distance between the first and second axle is 5 m.
7. Container transport ISO 40: 4.40 m.
8. No general limit.
9. Transport of containers, swap bodies, or live animals.
10. At least 7 axles (3+4).

		BIH	BG	HR	EST	H	LV	LT	N	PL
	Height (metres) :	4	4	4	4	4	4	4	12	4
Width (m) :	Any vehicle	2.5	2.5	2.6	2.55	2.55	2.5	2.55	2.55	2.55
	Refrigerated	2.5	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Length (m):	Motor vehicle	12	12	12	12	12	12	12	12.4	12
	Trailer	12			12	12	12	12	12.4	12
	Articulated vehicle		16.5	16.5	16.5	16.5	16.5	16.5	17	16.5
	Road train		18.75	18.35	18.75	18.75	18.35	18.75	18.5	18.75
Axle load (tonnes):	Single axle	10	10	10	10	10	10	10	10	10
	Driving axle		12		11.5	11[6]	11.5	11.5	11.5	11.5
	Motor vehicle				18	16	18			
	Double axle	16	20	16				18	20	20
	Air-cushioned susp.				19		19			
	(Semi-) trailer				20	16	20			
	Triple axle	24			24	24	24	24	30	24
Total authorised laden weight (TALW) (t):	2 axle	40	16		18	20	18		19.5	21.5
	3 axle	40	26		26[4]	24	26[1]		29.5[8]	26
	4 axle				32[1]	30	32[1]		31	32
Trailer (t):	1 axle	40								
	2 axle				18	20	18		20	8
	3 axle				24	24	24		30	24
Articulated vehicle (t):								40		
	3 axle (2+1)	40				28			29.5	29
	4 axle (2+2)	40	36		38[5]	38[5]	38[5]		29.5	38
	5 axle (2+3)	40	40		40	40	40		47	40
	5 axle (3+2)	40	40		40	40	40		47	40
	6 axle (3+3)	40	40		40	40	40		47	40
	Trp containers				44		44			44
Road train (t):								40	50	
	3 axle	40								
	4 axle (2+2)	40	36		36	36	36			37
	5 axle (2+3)	40	40		40	40	40			40
	5 axle (3+2)	40	40		40	40	40			40
	6 axle (3+3)	40	40		40	40	40			40

Sources: International Road Transport Union (IRU) / Association française des transporteurs internationaux(AFTRI) / ECMT.

		CZ	RO	RUS	SK	SLO	CH	TR	YU
	Height (metres) :	**4**	**4**	**4**	**4**	**4**	**4**	**4**	**4**
Width (m) :	Any vehicle	2.55	2.5	2.5	2.55	2.55	2.55	2.55	2.5
	Refrigerated	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.5
Length (m) :	Motor vehicle	12	12	12	12	12	12	12	12
	Trailer	12	12	12		12			12[7]
	Articulated vehicle	16.5	16.5	20	16.5	16.5	16.5	16.5	16.5
	Road train	18.35	18.35	20	18.75	18.75	18.75	18.75	18
Axle load (tonnes):	Single axle	10	11	10	10	10	10	10	10
	Driving axle	11.5			11.5	11.5	11.5[3]	11.5	
	Double axle		18		18			20	16
	Motor vehicle	18				18	18		
	Air-cushioned susp.	19					19[2]		
	(Semi-) trailer	20				19	20		
	Triple axle	24	22		24	24	24	24	24
Total authorised laden weight (TALW) (t) :	2 axle	18	18	18	18	18	18	18	18
	3 axle	26[4]	24	25	26[1]	25	26[1]	25	24
	4 axle	32	30	30	32	32	32	32	
Trailer (t) :	2 axle	18	17		18	18	18		18
	3 axle	24	22		24	24	24		22
Articulated vehicle t):					40		34		
	3 axle (2+1)	28	30	28				28	26
	4 axle (2+2)	38[5]	36	36				38	32
	5 axle (2+3)	42	40	38		40		40	40
	5 axle (3+2)	44	40	38		40		40	40
	6 axle (3+3)	44	40	38		40		40	40
	Trp containers	48	40			44		44	
Road train (t) :							34		
	4 axle (2+2)	36	34	36				36	36
	5 axle (2+3)	42	40	38		40		40	40
	5 axle (3+2)	44	40	38		40		40	40
	6 axle (3+3)	48	40	38		40		40	40

1. If the driving axle is fitted with dual tyres and air-cushioned suspension or equivalent, or if each driving axle is fitted with twin-tyres and the maximum load per axle does not exceed 9.5 t.
2. On main roads.
3. For vehicles registered since 1.10.97.
4. If the driving axle is fitted with dual tyres and air-cushioned suspension or equivalent.
5. With a distance of more than 1.80 m between the semi-trailer's axles and the driving axle fitted with dual tyres and air-cushioned suspension.
6. If fitted with dual tyres and air-cushioned suspension or equivalent.
7. With 3 axles or more.
8. If the distance between the tandem axles exceeds 1.8 m and the distance between the first and last axle exceeds 5 m.

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SCIENTIFIC CONTRIBUTIONS TO THE SEMINAR

GERMANY

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1. The freight transport markets show signs of serious instability in many countries. This is reflected in extremely low rates for freight (price per vehicle kilometre), which in Germany, for example, have fallen to 0.65 EUR per vehicle kilometre for vehicles in the highest weight categories. This applies chiefly to part-load transport and wagonload transport in general; however in the case of specialised goods, (dangerous goods, furniture) and for integration in supply chains, price pressures are of less importance.

2. Severe fluctuations may be observed on the supply side. These are encouraged by very favourable funding facilities for vehicles (e.g. leasing), promoted by the vehicle manufacturers. The amount of personal capital is extremely low; knowledge of cost accounting and pricing is often lacking.

3. The size of firms in the road haulage sector threatens stability. In Germany (as in France and Italy) 30% of all road haulage firms only have one lorry and 58% have no more than three. These are small undertakings, highly dependent on carrier haulage and freight brokers. Price pressure encourages a trend towards the exploitation of small family concerns. Price pressure on the shipper is often increased further by the transport agent acting as intermediary.

4. The deregulation of the transport market, together with the consequent price pressure – in principle the object of deregulation – has prompted many haulage companies to hand over their vehicles to their drivers. This has led to a growth in the number of small firms in a situation of extreme dependence.

   In addition, large road haulage enterprises, with between 1 000 and 6 000 vehicles at their disposal, exert considerable pressure on the market by using drivers from low-wage countries (CEEC), the effect of which is seen almost exclusively in prices. These large enterprises have their headquarters in the EU states.

5. With the planned expansion of the EU the market situation will worsen. The difference in personnel costs will persist well beyond 2010, leading to ruinous price wars and the increasing use of drivers from applicant countries.

   Even now the misuse of ECMT permits by CEEC undertakings is considerable (risk of cabotage, no visa or a false visa in driver's possession, forged permit, etc.)

6. A further measure of economic regulation is indispensable to the stabilisation of the road freight transport markets. In the end, this too will have a positive influence on the market position of rail traffic.

The following measures seem reasonable:

- Raising the subjective requirements for admission into the road freight transport market (proof of financial standing, technical competence).

- Introducing a European driving licence and greater controls on the possession of this licence.

- Examining the possibility of involving the authorities responsible for competition when aggressive price strategies are observed on the part of the large road haulage enterprises: vehicle kilometre prices clearly below average journey costs (excluding overheads but including cost of fuel, tyres, maintenance, depreciation, taxes and drivers' salary). Criterion invoked: misuse of a dominant or strong market position.

- Harmonising national tax rates specific to transport (fuel, vehicle tax) and preventing *Länder*-specific subsidies (aid) to road freight transport enterprises.

- Converting time-based road freight transport charges for road haulage traffic to kilometre performance based charges.

- Introducing transition periods (about 5 years) as the EU expands, with successive openings in the markets both of the applicant countries and of the existing EU states (travel permit quotas for transboundary traffic and cabotage operators); no "big bang".

- Applying stiffer controls on the observance of social regulations (driving and rest periods) and technical controls on the condition of vehicles.

FRANCE

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Road transport policy in the European Economic Community has long revolved around the vexed question -- to sum it up in two words -- of "liberalisation and harmonisation". That both liberalisation and harmonisation were necessary was widely acknowledged, but the question was whether or not they were two separate issues and, if not, whether the timing of both should be linked. The protagonists in the protracted debates on this issue were those who thought that harmonisation should precede liberalisation, those who thought that harmonisation and liberalisation should go "hand in hand", and those who thought that liberalisation should be the priority.

There is no need to go into the arguments advanced by the proponents of these three theories here, as history shows that the third option was chosen in the end. Nevertheless, we can point out one compelling argument that worked to the advantage of this last option: the Treaty of Rome required Member States to take the necessary steps to ensure freedom of service provision in international transport and lay down conditions under which non-resident carriers could operate transport services within a Member State (cabotage). In contrast, the Treaty of Rome did not set any objectives or requirements for harmonisation.

Even so, progress towards liberalisation has been difficult, since a ruling by the Court of Justice of the European Communities (ruling of 22 May 1985, which found that the Council of Ministers had failed in its duties) and the introduction of the Single European Act (setting 1 January 1993 as the target date for completion of the internal market) both proved necessary before any significant increase in the number of Community licences was seen in the years that followed – before the abandonment of quotas in 1993 – and before cabotage was authorised, first under a quota system then under a no-quota Community licensing system as of 1 July 1998. From that date, we could say that the liberalisation of market access was complete.

The liberalisation necessary for European did not require Member States to abolish restrictive measures imposed on their domestic transport operators. However, by an inevitable process of "transference", several countries abolished measures that had imposed operating licence requirements and quotas restricting access to these markets or had introduced compulsory rates and prohibited deregulated pricing.

In contrast, the stiffer competition that ensued prompted certain Member States to try to counteract the liberalisation of market access by tightening up on requirements for admission to the profession. The provisions introduced by France (Loi "Gayssot" of 6 February 1998 and the Decree of 30 August 1999 making registration as transport operators compulsory for hauliers and vehicle hire operators leasing small vehicles to firms) are highly significant in this respect.

Progress on harmonisation has, admittedly, been on a much smaller scale. While we may question the objectives of harmonisation policy or remain unconvinced that all differences should be eliminated, the fact remains that in important areas that do have a major impact on the relative

competitiveness of hauliers from different countries substantial disparities, which seem very difficult to reduce, do persist. Taxation is one such area: the measures taken in 1993 were confined to setting upper and lower limits. Another is the provisions implemented on social regulations.

The European transport market can therefore be considered as having failed to define, still less implement – given the substantial disparities that persist between rules and practice in most countries (problem of regulatory enforcement) – a single market, i.e. a market in which, first, the rules of the game and, second, the basic cost factors, are identical for all competitors. The fact is that the benefits of a market economy and competition will only be apparent if the most efficient firms expand and "borderline" operators, who cannot turn their situation around, are gradually eased "out of the market". If the regulatory, social and fiscal conditions on which the haulage sector and its productivity are based are too unequal, the firms that take a share of the market will not necessarily be those that are the most efficient. We may also see an increase in counterproductive behaviour, with operators attempting to avoid costly constraints by manipulating the regulations in order to take advantage of more favourable conditions.

The future enlargement of the European Community will inevitably make progress towards greater harmonisation even more difficult and compound the negative impacts of the situation.

HUNGARY

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Some Main Characteristics

The Hungarian freight transport market was in a continuous recession from 1990 to 1994, however, the number of enterprises manifested an opposite trend both in general and in the transport field. Official statistical data in Hungary reveal that in 1990, the number of transport enterprises was only 19 500, but increased to as much as 57 700 in 1994. Since this period, the number of registered enterprises - impacted by the appearing competition and the high capital demand – continuously decreased to reach 48 000 in 1998. At the same time, the number of enterprises with legal entity (share companies and limited liability companies) manifests an increasing trend. A slow displacement from 1996 to 1998 could be noticed to the benefit of the companies operating several trucks, i.e. in average, the number of trucks operated by one business unit showed an increasing trend: 1.71 in 1996, 1.8 in 1997, and 2.14 in 1998. This means that capital concentration is increasing in the forwarding companies.

Within capital centralisation, no change of the social (or sectoral) global capital takes place, since the increase of individual capitals occurs by fusion. Concentration is based on accumulation, thus, it is determined by the degree of the economic growth, and the centralisation, by the extent of the global social capital (or the volume of the global sectoral capital, provided that no capital flow occurs into the sector or outwards from it).

According to an investigation carried out by the KTI, based on a random sampling in 1998 involving 600 carriers and 400 own-account companies, to realistically reflect the situation of the firms operating in the Hungarian road freight transport:

- The average age of the vehicles in operation can be considered as high, of more than 8 years. Only medium size firms (operating not less than 8 to 10 vehicles) are in possession of trucks with higher loading capacity (more than 10 tons), for smaller enterprises it is typical to operate vehicles with 7.5 to 8 tons loading capacity in average.

- Trucks of West European manufacture are rather operated by smaller (possessing 2 to 5 freight vehicles) and medium size enterprises (with 26 to 50 freight vehicles), and the vehicles made in former communist countries are mainly usual for the firms operating 10 to 25 vehicles. (An exception is the Hungarocamion, a market leader company in international forwarding.)

In investigating the trucks in a breakdown by motor type, the vehicle relative standards were considered. Survey data reveal that in 1998, 21.1% of the truck fleet met the Standard EURO.2, 15.5% the Standard EURO.1 and 61.4% some other categories (Standard EURO.0). Vehicles satisfying

Standard EURO.2 are mainly operated by firms possessing 10-20 and 50-100 trucks. Depending on the fact, whether inland or international forwarding is carried out by the domestic carrier concerned, significant differences are experienced in respect of the breakdown of operated trucks by the standards.

Since in the EU, most of the international transport is performed by own carriers, where the fleet should consist of vehicles in compliance with Standard EURO.2, being in force in this zone.

Notwithstanding, most of our domestic carriers are still operating motor vehicles to be considered as obsolete on the basis of environment protection considerations.

Similarities and Differences between EU and Hungarian Regulation

The impacts of Hungary's EU relations can be felt already in the regulation of the Hungarian forwarding market. Following the full liberalisation of the forwarding market in 1989, the first conscious market intervention occurred in 1991, i.e. when accession became prospective. International road freight transport was subject to license at this time. The second step in 1995, following the submittal of the application for accession by Hungary, was the extension of regulations to domestic freight transport and the adjustment to the conditions of international forwarding. Except for minor amendments, this latter regulation is in force, the sample for which has been provided by current EU regulations.

Such differences have three main factors at their origin. On the threshold of a full system change, under the conditions of an extreme oversupply, following the liberalisation and the subsequent anarchical relations of the market, Hungary was forced to market regulation; and any regulations striving after the compensation, or at least, the moderation of the oversupply, had to be of a restricting character, first of all, against any "constrained enterprises" streaming in mass onto the market.

The other reason of the peculiarities of regulations is originated in the restrictions against our countries in the field of international road transport rather than from Member State quality, which should inevitably be transmitted by our domestic regulations.

The third reason of such differences is based on the meantime amendment of Union regulations. The new 1998 standards are not yet reflected in our domestic regulations.

These considerations cannot be ignored neither in the evaluation of some elements of the regulation, nor in the conformity to the commitments of legal harmonisation.

The basic decree of the market regulation is Decree 9/1988 (XII.20) MT[1], several times amended and dealing with road transport services and road vehicle operation, in which §.4 and §.4/A summarise the conditions of the freight transport enterprise activities. The special feature of this rule is that the paragraphs cited refer explicitly to freight transport, although no definition is given by the Decree for

1. Decree MT provides a legal basis to Act I of 1988 dealing with road transport, which contains no provisions referring to professional access and to the conditions of the freight transport activity, just defining authorisations for their regulations.

such activities, just treating them as one of the elements of the collective term "road transport services" (passenger transport, freight haulage and vehicle recovery)[2].

The regulation defines license commitment for any road freight transport, irrespective of load limit, thus, making use of none of the possibilities of exemption offered by Union regulations. Basically, it is a two-stage regulation; conditions of the domestic freight transport are regulated separately, and international haulage is ruled on this basis by introducing additional requirements. This solution is suggested by the Union regulation, as well, and meets general European practice.

Professional Suitability

In respect of professional suitability, EU and Hungarian standards have substantial similarities, harmony is nearly full in what knowledge volume, professional skill are concerned, and a certificate attesting the acquirement of such skills is always used for their evidence.

A checking commitment of at least every 5 years is provided by Decree 96/26 ECC for the authority issuing the certificate. Certificates filled out in compliance with domestic legislation are in force until activity termination. Adoption of the 5 years' checking cycle is proposed to eliminate this difference.

Details of the access to profession in Hungary reveal two basic differences between EU and domestic regulations. One of them is that there is a sharp limit in Hungary between the criteria for the acquirement of domestic and international freight transport licenses. The other is the extent of the financial conditions of a system of three requirements, however identical in principle and intention. Considering domestic market relations and the entrepreneurs' moderate capital potential, the solution of these two questions may be considered as the most considerable adhesion problem for the Hungarian road transport profession.

Provisions of the Decree 9/1988 MT on the Community directives related to financial performance are less severe, the sum of the compulsory pecuniary security amounts to 5 000 Ft/ton and has the function of amount security. In addition, the share part of own capital in such enterprises should reach not less than 50%. However, this double condition diverges from the provisions of Directive 96/26/EC; the divergence is even more significant with respect to Directive 98/76/EC. From the point of view of the adoption of EU Directives (and the Member States' practice) it is decisive to introduce step by step the financial conditions into Hungarian legislation. A slower approach is conceivable for domestic haulage, but a faster approach is required in the international field. Such amendments of regulations may soon be expected in Hungary, too.

2. In the EU, the term of road transport services is not applied, but road transports are ranged into two categories, i.e. haulage and transport on own account.

POLAND

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The basic issue in regulating the road transport in Poland is the adjustment to the systems in force in the European Union. The two main problems are the need for regulating *the access to the market* and *the access to the carrier profession.* Until 1989 the access to the market was regulated by the law on road transport and domestic forwarding of 1961. It was necessary to obtain a permit from the Ministry of Transport to provide services in road transport. State-owned enterprises had permanent permits whereas private carriers had to apply for such permits every year. The new law on economic activity, which came into force in 1989, liberalised fully the access to the market of road transport. It resulted in numerous new carriers entering the market and eventually led to the creation of a buyer market with many competing providers of transport services. There were also some undesirable effects. Many new carriers did not have appropriate professional qualifications. Many of them used old vehicles in poor technical condition. It was particularly vivid in cross-border transport leading to conflicts either on border crossings or abroad.

The absolute economic deregulation in this respect on the domestic market was confronted with external barriers such as quotas set up by other countries for carriages performed by Polish trucks. The quotas are fixed every year and it is done on reciprocal terms basis. As a result, the parliament passed a new law on international road transport in 1991. It reintroduced a system of permits. The criteria for granting the permits were only qualitative (proven professional experience, a track record of no conflict with the law, financial guarantees). The law did not allow the minister to set the number of such permits.

In 1997 the Sejm passed a new law on international road transport. The system of permits was upheld. The criteria for granting the permits remained almost unchanged. The most important change was that the Minister of Transport and Maritime Economy is authorised to refuse permits and to fix the number of permits for a given year. This modification aimed at adjusting the number of permits to the number of permits obtained from abroad. Thus, the qualitative criteria have been supplemented by quantitative ones, which are heavily criticised by the carriers. They also disapprove of the stipulation that the permit may not be transferred to a third person.

The law regulates international transport services provided by foreign carriers. They need to have a permission from the Minister of Transport for carriages on the Polish territory.

In 1997 the Sejm passed also a law on domestic road transport. The law aims at regulating the market of passenger transport by introducing a system of permits. It was expected to create equal conditions for state-owned and private enterprises providing passenger transport services in bus transport. It assumes that every carrier operating on the market has to have a permit. The law stipulates what conditions must be satisfied in order to obtain such a permit. The permit will be granted provided that the carrier:

- Has the title to use the vehicle which meets the requirements with regard to technical conditions specified in the road traffic regulations.
- Has proven professional qualifications.
- Has no criminal record.
- Has appropriate financial resources.

The law in question also regulates passenger transport by taxi cabs performed for profit. Such a business activity also requires a permit.

It is worth emphasising that until the end of 2000 no law has been introduced to regulate domestic cargo transport. There are no conditions or criteria of access to that profession. It should be noticed that legal regulations of the access to the carrier profession, both in international and domestic transport, are the basic conditions of liberalisation of the access to the transport market, as it is stipulated in the European Union law.

The Ministry of Transport is preparing a proposal of a new law which would regulate the access to the market and the access to the profession without making any difference between domestic or international transport. As a result, the access to domestic cargo transport will also be regulated. It is likely that many carriers operating on the market now will not be able to meet the conditions imposed in the new law. Consequently, the prices of transport services may go up as many cheap carriers will be squeezed out of the market. The new law is strongly opposed by some transport lobbies as it is expected to lead to unfavorable economic effects (an increase in transport costs) and negative social effects (an increase in unemployment).

Some EU countries express their concern that the transport market will be destabilised when Poland and other CEE countries join the Union. They are afraid that there will be many carriers who will compete using unfair business practices, and carriers with vehicles which are environmentally unfriendly or pose a threat to road traffic safety. Those countries insist on a transitional period in gaining full access to the market of road transport in the European Union.

It must be borne in mind that there are seven thousand Polish enterprises which provide services in international transport. In 1998 the enterprises possessed over 23 000 permits. Over 9 500 of these were for the so-called green lorries. The share of environmentally friendly fleet is growing steadily (3 464 vehicles in 1996 and 7 399 in 1997), which places Poland among leading European countries in this respect.

Only slightly less than 300 enterprises providing services in international transport have fleets bigger than 10 vehicles, and only 8 of them have more than 50 vehicles. The only truly large company in this sector is PEKAES Autotransport SA, which has over 1 000 vehicles. Almost a half of the carriers (3 133) have not more than one permit for international cargo transport. Thus, the vast majority of carriers operating on the market of international transport are small firms with little capital backing or organisational capacity. At the same time the number of firms with foreign capital which operate on this market is growing considerably. In 1998 there were 97 such firms on the Polish market. Forty of them represented German capital and 20 represented Dutch capital. Around 14% of transport firms with foreign capital had from 21 to 50 permits, which shows that the level of concentration among them is higher than in the case of Polish enterprises.

Thus, it seems obvious that it is Polish firms that should be afraid of the integration with the EU. As the access to the Polish market is liberalised they may be squeezed out of the market by foreign

competitors with better capital backing and superior organisational capacity. The opinion is further proven by the fact that there are numerous financial and administrative barriers which prohibit founding transport enterprises with Polish capital in the EU countries.

There are many other issues relating to the adjustment to the EU standards. They will be raised in the presentation at the seminar. They are technical and social regulations, regulations with regard to cabotage and road infrastructure as well as the principles of internalising external costs in road transport.

Wlodzimierz RYDZKOWSKI :
Comments after the Seminar

With regard to the seminar on road transport regulation I would like to make a few comments.

1. The deregulation initiated in the European Union in the late 1980s was aimed at stimulating competition in road transport by creating much easier access to the market and to the profession of carrier. As a result, transport services became cheaper. Now, when evaluating the outcomes of deregulation, the undesirable effects seem to be most discussed. They are as follows: deterioration in the safety of transport and the adverse influence of transport upon the natural environment. Another issue often discussed in the context of deregulation was the internalisation of external costs of road transport. The favourable external results of deregulation in road transport are often overlooked. Nobody has analysed the extent to which cheaper transport lowered the costs of production and increased the productivity and profitability of enterprises buying transport services, thus, contributing to an increase in the GDP. In my opinion, this aspect of deregulation is very often neglected in discussing the effects of deregulation. Too often the discussions concentrate only on the unfavourable results.

It should be emphasised that deregulation was not expected to improve the financial condition of carriers but rather to improve the situation of their clients. The latter objective has been fully achieved.

2. The conditions of competition between road transport and rail transport cannot be equalised through creating new charges for road transport (e.g. road pricing). Due to heavy competition road transport is already low profit or no profit. The equalisation of conditions for competition should be achieved through lowering the prices of rail transport as well as increasing the quality of rail transport services. European railroads have been opposing any true competition and are reluctant to let the infrastructure be managed by independent units.

It should be openly stated that if the European transport policy aims at balancing the modal split, excessive fiscalism with regard to road transport is not the solution. This objective can be achieved only through restructuring the rail transport.

3. The opinion that joining the EU by CEE countries will destabilise the EU road transport market is absolutely false.

It should be emphasised that it is not small carriers but large forwarders who exercise control over road transport market in the EU. They negotiate contracts with large shippers. They decide which carriers will get transport contracts. Even when small carriers from CEE get free access to the EU transport market, contracts will be carried out by large western forwarders who have operated in the CEE countries for many years. Additionally, licensing requirements for carriers in CEE countries are based on the EU regulations. They should eliminate unreliable carriers or those with inappropriate fleet.

UNITED KINGDOM

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Past trends

We are approaching the end of a period of deregulation in the road freight sector. Within the EU, quantitative controls on cross-border operations have been removed. The domestic haulage markets of most EU Member States have also been fully deregulated. Most of the countries which retain systems of quantity licensing and/or tariff restrictions, mainly in southern Europe, appear not to enforce them very strictly. The liberalisation of cabotage has not had as great an impact on domestic road haulage markets as predicted. In 1997, cabotage accounted for only around 0.25% of domestic road tonne-kms. In some countries, the proportion is much lower (e.g. UK survey in January 2000 suggested a cabotage penetration of only 0.06% of domestic road tonne-kms.). The relaxation of cabotage controls has, nevertheless, put pressure on national governments to deregulate their internal haulage markets.

The deregulation of road haulage markets has had several effects:

- *Rates*: average reduction of 12-25% over medium term. This has been difficult to measure as many other factors also affect freight rates over varying time-scales. The effects of the deregulation of cross-border haulage operations on rates has been very difficult to detect, partly because this process occurred gradually over many years, but also because of the effects of parallel trends, in particular the removal of border controls, improvements to road infrastructure and the reconfiguration of companies' European logistical systems.

- *Industry structure*: modest increase in the degree of concentration. The haulage industry still remains highly fragmented in most developed countries.

- *Service profile*: deregulation facilitated the conversion of larger haulage companies into distribution contractors providing integrated, and often dedicated, services.

- *Modal split:* it reinforced the diversion of freight from rail and water-borne modes. Deregulation of road freight operations has not been the main cause of the decline in rail's share of the European freight market. It has, however, been a significant contributory factor.

- *Outsourcing*: it has promoted a shift from own-account to hire and reward operations.

It has also highlighted international differences in road haulage tax regimes and led to justifiable complaints from hauliers that there is no 'level playing field' for road hauliers across Europe. Tax differentials have impacted most severely on competition between domestic and foreign-registered hauliers within national markets.

Two sets of regulatory controls continue to affect the economics of the road haulage industry.

Financial requirements: To demonstrate their 'financial standing', qualitative licensing schemes require hauliers to have a capital of at least 9 000 Euro for their first vehicle and 6 000 Euro for subsequent vehicles at the time of registration. This is justified largely on safety grounds as it is supposed to indicate that an operator has access to sufficient funds to maintain his vehicle(s) adequately. This, nevertheless, imposes an economic barrier to entry into the industry. Moreover the link between this test of financial standing and the actual level of maintenance can be fairly tenuous. The imposition of a tougher enforcement regime could have much greater effect on maintenance levels and road safety.

Restriction on own-account operators' ability to carry third-party traffic: This applies in most countries. In the UK, where no such restrictions are imposed, only a small proportion of road freight is carried on a third-party basis by own account fleets, though anecdotal evidence suggests that this proportion is growing.

Possible future trends

It is likely that the deregulation of domestic road haulage markets will continue. The volume of road freight moved on a cabotage basis will increase, though from a very low base. The benefits of deregulation will be augmented by the development of on-line freight exchanges at both national and international levels. These B2B exchanges will create virtual markets for road haulage capacity, greatly expanding the market search capabilities of individual carriers and shippers and, potentially, reducing transaction costs. This should enable international hauliers to win more cabotage business. It should also have the effect of improving the utilisation of vehicle capacity, especially on backhauls, and depressing freight rates. The pricing of road freight services will become more transparent.

There will be a gradual liberalisation of the road haulage markets of Eastern Europe and easing of quota restrictions governing cross-border haulage movements between eastern European and EU countries.

Within a liberal European road freight market, national governments and the EU will be put under pressure to narrow tax differentials, particularly on fuel tax and vehicle excise duty.

In an effort to improve vehicle utilisation, and thereby ease environmental and congestion problems, more governments are likely to relax restrictions on the carriage of third-party traffic by own account operators.

Concern about the environmental impact of road freight traffic growth may put national governments under pressure to reintroduce quantitative controls on haulage capacity. This is likely to resisted. Priority will be given to using the tax system to improve vehicle utilisation, promote fuel efficiency and accelerate the adoption of clean vehicle technology.

The use of information and communication technology, particularly vehicle tracking and remote scanning of vehicles, will permit much stricter and more uniform enforcement of qualitative controls and traffic regulations. This will shift the burden from qualitative checks at the time of operator / vehicle registration to on-the-road monitoring of road haulage operations.

OTHER CONTRIBUTIONS

POLAND

Document presented by the Road Transport Department of the Ministry of Transport and Maritime Economy

This paper begins by referring to the early 60s in Poland. It should be noted that already at that time Poland had been actively present in the arena of international politics, especially in the Inland Transport Committee of the United Nations Economic Commission for Europe. It was the significant area for discussions and activities connected with the development and regulatory reform in the road transport sector.

The list of international conventions and agreements had been agreed and issued in the framework of the UN ECE. Over the years Poland has ratified and introduced into practice many of them, among others the ADR, TIR, AETR.

Then, the membership of the European Conference of Ministers of Transport (ECMT) and the Organisation for Economic Co-operation and Development (OECD) has had a great impact and stimulated the process of harmonisation regarding the conditions of access to the road transport operator profession and technical, social and fiscal standards in the sector.

Since the very beginning the Polish operators engaged in international road transport performed on the basis of bilateral agreements, as well as conventions and agreements mentioned above, had to know and use in practice rules and conditions of operation in the European transport market and in the EU Member States. Many of them became experienced and gained enough knowledge to compete with the foreign enterprises as regards market access and share as well as profitability.

The Polish Government concluded over 40 **agreements on international road transport**, of which 17 in the period 1965-75 (in the latter, agreements were concluded among others with Austria, Belgium, Bulgaria, Denmark, Finland, the Netherlands, France, Germany, Norway, Hungary, Switzerland).

The general rules and principles of performance of international road transport services (both in passenger and goods transport) are stipulated in the bilateral agreements. There are also obligations for the operators and drivers of the Contracting Parties to obey, on the basis of reciprocity, the national laws on road traffic safety and technical standards of vehicles (apart from other provisions concerning road transport based on the national and international laws).

All bilateral agreements, also those lately (in the ´90s) concluded, regulate the issue of the contingencies of **foreign permits**[1]**,** negotiated on bilateral basis. Generally, only the transport of goods

1. It is worth of mentioning that in the Report by the ECMT Secretariat [CEMT/CS/TRSEM(2001)1], page 19 and 20 the word "bilateral licence" has been used. Having in mind that the term "Community licence" exists in the EU and means entirely different document, we would suggest to use rather word "permit" or "foreign permit" referring usually to the quota system and quantitative restrictions in the road transport services.

is subjected to the exchange of foreign permits between Contracting Parties of the bilateral agreements. For passenger transport according to the category of services (regular, occasional, shuttle, own-account), a **permission**[2] granted by the competent authority and/or control document is necessary to perform activity. Exemptions from the rules need to be agreed on the bilateral basis.

As is commonly known, in the EU there is an open market since 1993 when quantitative restrictions (contingencies of foreign permits) were abolished. However, they still remain in relations with the so-called third countries, like Poland and every year the negotiations on the number of foreign permits to be exchanged bilaterally, start.

As underlined in the ECMT Secretariat paper (page 20) bilateral permits might be (and usually, as concerns EU Member States, are) in short supply, which would represent a barrier to international trade.

What is more, these quantitative restrictions have an adverse impact on the effective allocation of resources, competition and usage of rules of the free market economy in road transport.

Strongly supported and promoted by the ECMT and the EU process of liberalisation of the access to the road transport markets is effectively followed by the Polish transport administration. Due to the Polish initiative the system of foreign quotas was abolished in 1998 between Poland and Finland and in 1999 - with Luxembourg. Since 2000 there is an open market for road transport services among Poland, Czech Republic, Slovakia and Slovenia as concerns bilateral and transit permits.

Certain categories of services (for example, for own account) are exempted from the need to have foreign permits between Poland and Lithuania, the Netherlands and Belgium.

Speaking about the Polish road transport laws it is necessary to explain the meaning of the **concession,** the very important regulatory instrument of qualitative character, introduced by the two following laws on international road transport - of 1991 and 1997.

The term **"concession"** refers only to **the international** road transport activity. It means the document granted by the Minister of Transport for the enterprise (or a person) which wants to perform international road transport (passengers or goods, or both), after meeting qualitative criteria required by the law (basically: good repute, financial standing and professional competencies as stipulated in the Directive 96/26). From that point of view the Polish concession is equal to the **Community licence**.

2. There is a need to differentiate names of the certain documents enabling performance of the road transport under Polish law.

   – The term "concession" - see the explanation on the next page in the text.

   – The term "permit" or better "permission" may be used to describe additional document required, apart from the concession, to perform certain categories of road transport services (usually in international passengers road transport).

   – The term "authorisation" or "transport authorisation" appears in the Polish law *on the national road transport of passengers*; it is in practice close to the meaning used in the EU legislation. "Authorisation" is granted for the enterprise engaged in the national road transport of passengers meeting required by the Polish law qualitative criteria (among them the three described in the Directive 96/26).

Also the driver employed by the road transport operator to drive the vehicle engaged in international road transport has to meet certain qualitative conditions described in the law (however, there is no a full adjustment to the EU *acquis*, yet).

As the result of the policy of the Ministry of Transport the quality of transport services as well as the level of the competitive position of the Polish entrepreneurs has been brought much higher and closer to the EU standards.

Furthermore, it can be said that the concession is established in the name of the carrier and shall be non-transferable. None of the Polish carriers contested such a provision which is the same as in the EU in case of the Community licence.

In the law on international road transport of 1991 as well as of 1997 there is a provision stipulating that the Minister of Transport and Maritime Economy refuses to grant a concession if he is not able to ensure a sufficient number of foreign permits. As we have underlined, there is a short supply of the foreign permits particularly those granted on yearly basis by some Member States of the EU.

The Minister of Transport and Maritime Economy, in consultation with nation-wide organisations associating international road transport operators, may establish a quota of concessions or concession promises for any given calendar year.

Limitation of concessions in that situation as well as **limitation of foreign permits** (the latter was introduced by the law of 1997) can be economically justified in order to provide for fair, undisturbed operation of international road transport. The existing Polish concession holders are first of all to get the foreign permits for continuation of their transport activity.

Full liberalisation of this market against limited number of foreign permits for bilateral and transit road transport might break down the Polish transport market and cause the crisis situation on it.

Starting from the conclusion in 1991 of the Europe Agreement with the EU (entered into force in 1994) and making in 1994 an official application for a membership in the EU, the Polish Government took upon the obligation to meet all requirements arising from the existing EU *acquis communautaire* and to implement it to the Polish legislation. There is a significant progress achieved as concerns road transport legislation till now. The new legal projects are on the way.

The project of the new **law on road transport** already prepared by the Ministry of Transport, successfully passed the procedure of inter-ministerial consultations (also among so called social partners) and was approved by the Council of Ministers at the end of 2000. It will uniformly harmonise and regulate conditions of the access to the road transport markets, passenger and goods, local and international, and access to the profession of the road transport operator. The law will introduce **the licence** (replacing the document concession currently in use in international road transport as well as the authorisation - in use in the national road carriage of passengers).

Through the said law the provisions of the Council Directive 98/76 regarding qualitative criteria of the access to the profession (among them the high financial standing and good repute requirements) will be implemented in the full scale into the Polish legislation and practice of the transport economic activity.

The qualitative criteria will be the only requirement after abolition of the quantitative restrictions as of the date of the Polish accession to the EU.

The project of the law will be directed to the Parliamentary Sub-Commission. It is expected that the low will enter into force since the beginning of 2002. Until now the new law is rather strongly welcomed, than strongly opposed by the road transport social partners.

In the few month the law on the **Road Transport Inspection** will be introduced in Poland. The RTI control activities will enable more efficient execution of the laws concerning road transport and in result - will bring higher safety and environmental conditions on the roads. The establishment of RTI as well as preparation of the training programme for the RTI inspectors is being supported (during 2000 and 2001) by the French and German experts working in the frames of the twinning agreement on the PHARE project. It gives a guarantee that the Polish Road Transport Inspection based on the same pattern as inspections existing for a long period of time in France and Germany, will be a competent and effective one.

As of 20 September 2000, about 24 400 concessions for international road transport of goods and 5 000 for passengers transport were in hands of the Polish carriers. The concessions are in the possession of 10 000 transport firms (or natural persons).

Over 83% firms have got from one to 4 goods vehicles, while only 12 firms uses over 50 vehicles to carry goods in international road transport. The predominance of the small and medium size firms in the whole structure of transport enterprises is not something specific for Poland but exists commonly in the EU Member States as well.

It is worth of mentioning that approximately 50% of the Polish goods vehicles meet the standards of the environmental protection (EURO 1, 2 and so on). Apart from the proper own activity of the Polish entrepreneurs, the intentional and stimulating transport policy of the Polish government has resulted in the high technical standards of the vehicle fleet engaged into international road transport.

Aware of the necessity of promotion among all road transport operators information on forthcoming changes in the legislation and economic practices, before the new laws are in force, and in order to facilitate adjustment to the new requirements and higher standards by the holders of the concessions and by other candidates to the road transport operator profession, as early as in the second half of 1999, the Ministry of Transport and Maritime Economy launched the **"Education Program** for the road transport operators".

This wide scope and multi-year "Education Program" will provide national administration with principal tools to stimulate required adjustments on the side of the road transport undertakings and promote organisational and legal solutions resulting from the Polish transport administration commitments at the pre-accession stage.

There are many reasons to feel strongly about the good prospects of the greater part of the Polish firms operating at the international road transport market; it is likely that they will preserve their competitive position they have now, and even find new chances at the EU market after the Polish accession.

However, it is also likely that many Polish operators, especially those acting at the internal market, will be not able to meet - in the pre-accession period and probably after accession - all high qualitative criteria, technical and social standards, required by the EU *acquis communautaire*.

Polish road transport administration is aware of that and makes all possible efforts at different levels and areas to accelerate from one side, and to facilitate from the other, the complex adjustment processes. The aim is to minimise the negative consequences for the Polish road transport firms.

ROMANIA

Marius Sorin BOTA, Secretary of State,
Ministry of Public Works, Transport and Housing

It is a pleasure and an honour for me to be able to speak to you about the progress that Romania has made in the realm of road freight transport.

As you know, Romania -- like the other countries that are negotiating their accession to the European Union -- has important ongoing projects in this field. They could be divided into three major categories:

1. Legal harmonisation, to transpose European norms into Romanian legislation and, especially, to enforce and integrate them in practice;
2. Institution building, to establish the relevant institutions of the *acquis communautaire*; and, at the same time,
3. To develop road transport infrastructure.

Major progress has been made on each of these three fronts.

Due to the spectacular development of the road transport market, and because of its dynamics, the harmonisation of laws and practice has been proceeding at a brisk pace. The first basic norms to be established -- and followed -- in road transport are those involving competition and State aid. As a result, road transport is the first industry in which free competition and the withdrawal of government subsidies have become a reality. Nevertheless, it cannot be said that this process of harmonisation is complete. By co-ordinating institution building and legal harmonisation, we can assert that Romania has a substantial advance in transposing European legislation in this field (such as access to the profession and the regulation of hazardous goods transport). But further steps are needed to implement social legislation and laws governing access to the domestic transport market. Obviously, even if Romania is prepared to liberalise access to this market, including cabotage, even prior to accession, this could be done only on a reciprocal basis.

Regarding institution building, two major institutions are now up and running: one -- the Romanian Road Transport Authority -- has a regulatory role in the organisation and development of road transport; and the other -- the Romanian Automotive Register -- intervenes in the regulation of vehicle construction and road safety.

Even so, measures are needed to strengthen the administrative capacity of these newly established institutions, especially as concerns law enforcement and the imposition of real penalties.

Romania has taken strides to develop its road transport infrastructure. Thanks to major financial commitments, along with European Union support (until 2000 through PHARE and more recently through ISPA), large sections of national roads that are open to international traffic, totalling some

1 700 km, have been rehabilitated. To date, the funds earmarked for these programmes represent approximately 1.4 billion Euro. At the same time, in order to set up a uniform transport network, Romania has accepted the TINA Final Report, which maps out the transport network that is to be part of the future extended European Union Trans-European Transport Network. As we know, the TINA road network will in principle follow pan-European transport corridors and consist of highways and expressways. The basic network is to be completed by the end of 2015, with a length of 1 130 km. The funding needed for its construction is roughly 5.14 billion Euro.

Despite all of the progress that has been made, we are keenly aware that many important strides are still needed in order to bring the road transport industry up to European standards. It is Romania's intention to take decisive steps to harmonise the taxation of access to road infrastructure, and to impose stricter safety norms in this area (such as equipping vehicles with tachographs and speed limiters, even for domestic traffic). Obviously, harmonised provisions will be phased in gradually, depending on such crucial parameters as the state of the economy, the degree of infrastructure rehabilitation and the capacity of operators to meet those provisions.

As you may have noticed, Romania has made -- and is ready to make further -- efforts towards opening the road transport market, ensuring optimal traffic conditions and eliminating discrimination. These goals will be achieved in time, but, of course, with the support of the European Union and of its Member States.

In this context, I should like to emphasise the unquestionably important role that ECMT has played in the development of road transport. If our organisation is to retain this role, however, it will be necessary, when resolutions are adopted, that they be observed by all of the members that agreed to them, and that no additional obstacles to the development of road transport be imposed. Our most important objective is to eliminate existing obstacles, the most frustrating of which are the limited numbers of authorisations -- both ECMT and bilateral -- and the difficulties encountered by Romanian road operators when they apply for visas.

In view of the expanded fleet of "green" and "greener and safe" vehicles -- a development that has entailed considerable efforts by carriers -- I consider it extremely important to increase the number of authorisations for these types of vehicles. In so doing, we can promote road transport and show carriers that they are being rewarded for respecting the environment, bearing in mind that for the second year now Romania has been using permits for "greener and safer" vehicles only.

IRU Proposals for EU Enlargement and an Integration Strategy for Road Transport

Peter KRAUSZ

Over the last decades, the IRU has always been active in the field of market integration contributing to developing the relevant EU, UN ECE and ECMT regulatory framework of the road transport industry. In the early 90s, it created its Commission on CEE, within the framework of which the industry's integration debate was structured and solutions suggested.

This IRU Commission was also instrumental in elaborating the IRU specific integration "products" (studies, handbooks) and hosting the major East–West road transport Conferences, the next one of which will take place in Prague, in May 2001.

EU-enlargement represents a milestone along the way leading to an international integration of transport markets.

The situation before EU-enlargement

Basic features of today's regulatory framework (admission to the occupation, access to markets) are different for EU-intern and non EU-intern transport markets. While qualitative regulation/full liberalisation exists on the first one, bilateral and multilateral structures of restrictive character combined with qualitative elements of regulation, continuously growing in importance, exist on the second one.

The IRU Enlargement strategy

The IRU strategy for EU-enlargement, aiming at equal chances for all operators both from current and future Member States, consists of the following main elements:

- Step-by-step and country-by-country opening of the market in function of the level of implementing the road transport-related acquis in the pre-accession period.
- Freedom of establishment.
- Opening of the cabotage market in the post-accession period after full implementation of the acquis.

As accompanying technical measures, the IRU suggests:

- Creation of a market monitoring service to prevent crisis situations.
- Elaboration of road transport-relevant acquis criteria and an incentive "ECMT quota" like mechanism for every single stage of market opening in order to obtain a full transposition of the acquis at the end of the pre-accession period (except a few mutually acceptable derogations).

The immediate impact of the prospect of EU membership

The first and foremost outcome of the more and more tangible prospect of joining the EU is the high speed of harmonisation of conditions for competition between operators from current and future Member States, first for international road transport operators, and now, more and more, for domestically operating companies.

Regarding international road transport, the most impressive progress has been achieved in the field of renewing international fleets and the related technical requirements, as well as regarding admission to the occupation, and especially operators' professional competence, including the industry's latest initiative, the IRU Academy. The IRU Academy, through offering sustainability of respective Phare projects, introducing the competence-based lifelong training concept and a strong element of international harmonisation by establishing training, testing and diploma standards, may become instrumental in the all embracing harmonisation efforts in the road transport sector at the widest international scale.

All acquis fields have been tackled in one way or the other by candidate countries (see table below).

However, important efforts and harmonisation measures remain to be taken regarding social regulation (proper enforcement of AETR), fiscal harmonisation, admission to the profession (financial capacity requirement), technical standards, infrastructure upgrading, better statistics, co-operation between authorities and industry.

The situation after EU-enlargement

With EU-enlargement, the present EU-intern regulatory framework will geographically be extended. The pre-enlargement framework will, however, prevail for countries/markets outside of the EU, though, the "spill-over effect" of the on-going enlargement/integration process should not be under-estimated.

Namely, harmonisation based on international benchmarking has reached a geographic scope never seen before penetrating deep into other continents than Europe. This process should be compensated in the framework of incentive systems.

For this purpose, the industry "enlargement model" offers workable solutions to a wide range of typical problems arising from the liberalisation of market access. At the level of the ECMT, the current processes of modelling the quota for the years up to 2005 and beyond can also build upon the industry initiative by further enhancing and strengthening the harmonisation criteria based on the road transport-specific acquis developed also within the framework of the UN/ECE and, above all, the EU.

Beyond harmonisation and reform efforts, the reduction of regulatory and non-regulatory barriers to the dynamic development of road transport, in an enlarged EU and in non-EU countries alike, should remain on the agenda of political decision-makers (fiscal dirigisme, traffic bans, blockades, waiting times at borders, fraud-crime-illegal immigration, etc.)

ANNEX: ENLARGEMENT HARMONISATION TABLE

Candidate Countries' implementation of the main road transport-related "*acquis communautaire*"[1, 2]

Status as at 1 October 2000

Candidate countries	Admission to Occupation		Social *acquis*		Technical *acquis*		Fiscal *acquis*
	National transport	*International transport*	*National transport*	*International transport*	*National transport*	*International transport*	
BG	+	++	+	++	++	+++	+
CY	+	++	+	+	++	++	+
CZ	++	+++	++	+++	++	+++	+++
EST	+	++	++	+++	+++		+
H	+++	+++	n.a.	++	++	+++	+++
LV	+	++	n.a.	++	++	+++	++
LT	+	+++	+	+++	++	+++	++
M	++	++	+	+	++	++	+
PL	+	++	++	+++	++	+++	++
RO	++	+++	+	+++	++	+++	+
SK	++	+++	+	++	+++	+++	+++
SLO	+++	+++	++	+++	+++		+++
TR	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

1) N.a. – information is not available.
"+" Approximation at the beginning.
"++" Approximation at an intermediary stage.
"+++" Advanced stage of approximation.

 – Full compliance with the *acquis.*

2) This table contains data assembled for pure information purposes to be interpreted with care. They represent an unofficial and approximative judgement of the actual situation, established in co-operation with AEBTRI, TDA, CESMAD Bohemia, ERAA, ATRH, LINAVA, ZMPD, CESMAD Slovakia, GIZ Intertransport, ARTRI, UNTRR and the Romanian Ministry of Transport – General Directorate of European Integration.

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OECD PUBLICATIONS, 2, rue André-Pascal, 75775 PARIS CEDEX 16
PRINTED IN FRANCE
(75 2002 03 1 P) ISBN 92-821-1369-8 – No. 52335 2002