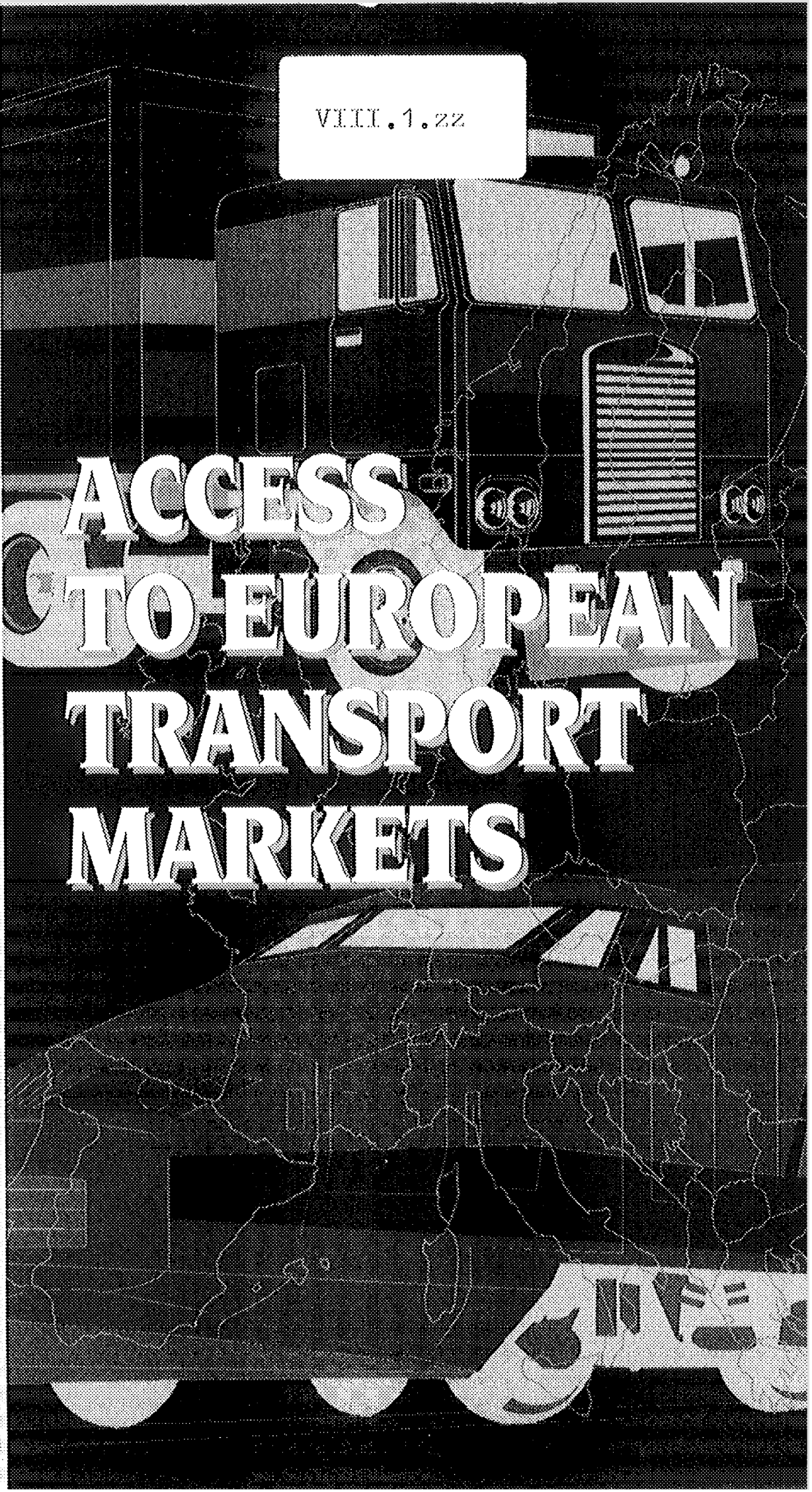


EUROPEAN CONFERENCE OF MINISTERS OF TRANSPORT

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ACCESS TO EUROPEAN TRANSPORT MARKETS



EUROPEAN CONFERENCE OF MINISTERS OF TRANSPORT

Access to European Transport Markets

Proceedings *of* a Seminar
on the Integration *of* Central
and Eastern *European* Operators
in *European* Transport Markets

16th- 17th March 1995



THE 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 17th October 1953. The Council of the Conference comprises the Ministers of Transport of 31 European countries.' The work of the Council of Ministers is prepared by a Committee of Deputies.

The purposes of the Conference are:

- a) to take whatever measures may be necessary to achieve, at general or regional level, the most efficient use and rational development of European inland transport of international importance;
- b) to co-ordinate and promote the activities of international organisations concerned with European inland transport, taking into account the work of supranational authorities in this field.

The matters generally studied by ECMT – and on which the Ministers take decisions – include: the general lines of transport policy. investment in the sector; infrastructural needs; specific aspects of the development of rail, road and inland waterways transport; combined transport issues; urban travel; road safety and traffic rules, signs **and** signals; access to transport for people with mobility problems. Other subjects now being examined in **depth** are: the future applications of new technologies, protection of the environment, **and** the integration of the Central and Eastern European countries in the European transport market. Statistical analyses of trends in traffic and investment are published each year, thus throwing **light** on the prevailing economic situation.

The ECMT organises Round Tables and Symposia. Their conclusions are considered by the competent organs of the Conference, under the authority of the Committee of Deputies, so that the latter may formulate proposals for policy decisions to be submitted to the Ministers.

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FOREWORD

Trade relations between Central and Eastern European (CEE) and western European countries have grown considerably since the political and economic changes began in the CEE countries in the late 1980s. The CEE countries have developed a high dependence on western European markets, as sales to these markets have represented their main source of consistent export growth since 1990. The western European trade surpluses with CEE countries have increased the importance of these markets to them, although trade with the CEE countries still represents a small share of total trade.

Interdependence between the two areas can be expected to grow for several reasons, including the active participation by western European firms in the privatisation process in CEE countries and as trade barriers are removed.

The developing trade relations in Europe and the integration of the new Member countries of ECMT require improved transport conditions.

The European Conference of Ministers of Transport has dealt with this question since the organisation expanded with the admission of the first new Members in 1991. As a follow-up to the discussions at the 78th Ministerial Meeting in Annecy -- in particular the intervention of Minister Boguslav Liberadzki of Poland-- the ECMT organized a Seminar on the Integration of Central and Eastern European Operators in European Transport Markets on 16-17 March 1995 at OECD Headquarters in Paris. At this Seminar, participants identified the main barriers in access to transport markets and discussed the differences in competitive conditions for central and eastern European and for west European countries. They also discussed possible ways forward.

The Seminar aimed to provide a forum for open discussion and exchange of experience, with participation of transport policy-makers from ECMT Member countries, representatives of shippers and transport operators

and representatives from the European Union and non-governmental organisations like the International Road Transport Union and the International Union of Railways.

The Seminar was divided into four sessions:

Session 1: Economic and Policy Framework provided an overview of trends and developments in East-West traffic. Discussions covered policies and arrangements that are made at national and bilateral levels, and included fiscal issues as well as the roles of different actors in the operation of markets, drawing particular attention to the distinctions between EU and CEE countries.

Session 2: Regulatory Framework for Transport in Europe covered the regulatory framework in ECMT countries, distinguishing between the EU and CEE countries. Discussions included: access to markets and profession; social provisions; technical provisions (safety, weights and dimensions, environment); procedures for customs and crossing borders.

Session 3: Identification of Barriers and Limitations for Operators from CEE Countries dealt with barriers that are: legal and administrative; economic and financial; technical; linked to knowledge and experience; logistical; practical.

Session 4: Ways Forward identified possible paths towards the full opening of transport markets in Europe, including: methods of overcoming barriers; conditions for liberalisation; pace of change; costs and financing of change.

This publication is divided into four sections, corresponding roughly to the above sessions.

The findings of the Seminar were presented to the ECMT Council of Ministers' 79th session in Vienna in June 1995. The Ministers adopted a formal Resolution, which will guide ECMT's future work in the area. This is included in the Annex.

This publication is intended as an ECMT contribution to an ongoing dialogue. It is hoped the papers and discussion will help define policies and concrete measures that will aid a smooth transition process towards a fully integrated European transport system and market.

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EXECUTIVE SUMMARY

General Issues

It is widely accepted that the integration of central and eastern European (CEE) countries in Europe is essential for the political stability and economic development of the continent. The majority of CEE foreign trade is now with western European countries (especially with **the** European Union), and good transport connections between East and West are vital to support this.

Comparative advantage is the economic basis **for** trade transactions and is essential for competition, provided it is fair and based on equal rights for all competitors. The challenge is to find the appropriate balance between the free play of competitive forces and the appropriate level of harmonization of competitive conditions.

Differences of an artificial character, introduced intentionally to protect national transport markets or developed over the years by discriminating among transport operators, constitute barriers and limitations which must be removed in order to achieve more effective transport services throughout Europe, to increase European competitiveness and to avoid transport becoming **a** bottleneck for the development of foreign trade and economic integration in Europe. In this regard, it is necessary to make a distinction between differences and barriers.

Markets in Europe, particularly road transport markets, are highly fragmented -- even in the European Union -- for many reasons, including cultural differences and lack of harmonization. Although there are many uniform provisions, their application and enforcement varies widely.

Many of the problems faced by CEE operators are the same as those faced by Western European transport operators (including underdeveloped infrastructure in the CEE countries, delays at East-West border crossings and at border crossings within the CEE region).

Domestic and international transport should be looked at separately, as their main features differ substantially. Regulations in most CEE countries concerning access to the profession of international road haulier are generally in line with the European Union's rules, except for the conditions relating to financial solvency. In general, these conditions are not applied to domestic operators in CEE countries.

Participants from countries which have Association Agreements with the European Union attributed great significance to the sectoral agreements envisaged in them. Expectations from some CEE countries of these agreements have included the principles of asymmetry and gradualism during the transition period because of the barriers and the competitive disadvantages of the CEE countries. Transit, bilateral and third country traffic have different values for different countries, and these issues should be looked at together.

Barriers and difficulties

A number of barriers and difficulties for operators from CEE countries were identified, their causes were discussed, and possible ways of overcoming them were examined. Some of the difficulties included the following:

- The current regulatory system in road transport is unwieldy, composed of a mixture of multilateral and varying bilateral arrangements; moreover, the technical, fiscal and social provisions and standards vary widely.
- One consequence is that quantitative restrictions, especially the shortage in road permits and the capacity regulations in inland navigation, are a barrier for CEE operators.
- The tightening of technical and social provisions was also considered to be a significant potential barrier for CEE operators. At the same time, it was accepted that environmental, safety, technical and social norms will inevitably be higher. To adopt these standards, however, CEE countries need sufficient lead time.
- Problems deriving from under-developed transport and telecommunications infrastructure and delays at border crossings in CEE countries affect both operators from CEE and from Western European countries.
- Obsolete fleets (particularly in railways and inland navigation) are considerable barriers to the development of transport systems of the CEE countries. This applies in road transport as well; but it has been

seen here that CEE operators have already demonstrated their will to introduce the best technology as several new members of ECMT have opted for the “green lorry” within the quota system.

- The lack of financial credit facilities acceptable to and affordable by the operators of the CEE countries makes fleet modernisation in the region rather difficult.
- There are a set of difficulties due to the macro-economic problems in the CEE countries (decline in production, high inflation, unemployment and high interest rates).
- The variety of non-harmonized taxes and road user charges throughout Europe is a barrier for all transport operators.
- Difficulties in obtaining visas make it harder for operators from some CEE countries to enter international competition.
- The vocational and higher education systems do not yet give sufficient attention to modern business methods and managerial experience, and training is weak in many CEE countries, reducing their ability to compete internationally.

Future policy directions and recommendations

Based on the discussions during the Seminar, the following policy indications and recommendations were presented, so that barriers and limitations for CEE transport operators can be removed and so that the economic and political integration of the CEE countries in Europe can be supported by improved transportation possibilities.

1. In the course of the removal of barriers and limitations, transport policy considerations on fair competition, on environmental protection, on the harmonized use of all modes of transport and on the improvement of social conditions should be followed.
2. Changes towards multilateralism, towards common standards and towards qualitative criteria instead of quantitative restrictions would be helpful. Until then, the regulatory framework with its existing bilateral agreements constitutes a barrier, as long as these agreements are different. Ideally, a liberal multilateral regime, including qualitative criteria for road transport, would gradually substitute the current bilateral agreements. A framework for such a regime should be drawn up. In the meantime, bilateral agreements should be harmonized as much as possible; to do so, a recommended model agreement would be helpful.

3. Multilateral arrangements (like the ECMT multilateral quota) should be made an important instrument of liberalisation of road freight transport.
4. All European countries should respect existing multilateral agreements, such as AETR, CMR, TIR, ADR, ATP, CIM, etc.
5. Liberalising market access and improving transit possibilities in all modes of land transport should not be handled separately, as there is a high interdependence between them. In the liberalisation process, qualitative criteria must be introduced, with special attention to the increased concern for the environment.
6. There is an urgent need to find ways of liberalising international passenger transport by road, either through extending the International Agreement on Occasional Services by Road (ASOR) or some other means.
7. Environmental, safety, technical and social harmonization must take place as liberalisation proceeds and through the gradual and progressive introduction of qualitative criteria. The criteria in force in the European Union are obviously the target, although it would be very costly for CEE countries if these criteria are made more stringent. (Several CEE countries are finding it difficult to cope with existing rules). Sufficient lead time is clearly needed.
8. The Sectoral agreements between the Associated CEE countries and the European Union and its Member Countries based on and foreseen by the Europe Agreements are considered to be of great significance in the integration process.
9. Delays at borders affect all transport operators by road and rail and intensive efforts need to be made to simplify border crossing procedures.
10. New, more beneficial credit facilities and financial assistance are needed for fleet modernisation in the CEE countries to enable them to meet the qualitative criteria gradually replacing the quantitative restrictions.
11. Individual countries have to strive to ensure that barriers due to outdated business or administrative practices are eliminated at national level. Appropriate training of operators and entrepreneurs is essential.

12. Conditions of access to the profession of road hauliers in CEE countries should be brought gradually into line with the existing European Union regulations, with appropriate adaptation to local circumstances.
13. Special attention needs to be **paid** to the fiscal arrangements and regulations, in particular to user charges.
14. The visa problems some CEE countries have in carrying out international transport services should be resolved and Transport Ministries should intervene with the competent authorities to help find a solution.
15. Data are rather limited and in such a rapidly changing environment, the techniques and tools for market monitoring need to be developed.
16. Further study on market access issues in European transportation is needed, and ECMT should play a role in this work.
17. Regular exchanges of information on transport regulations dealing with market access questions and with competition rules would be a useful assistance to the CEE countries and their operators. Exchange in know-how on practical market access issues is continuously needed. In this regard, seminars on transport policies would also be of assistance to the CEE countries.

Opening Session

Introductory Remarks

Gerhard AURBACH

Introduction by the Chairman

Jean-Claude BERTHOD

Overview of Main Issues and Problems

Jan BURNEWICZ

INTRODUCTORY REMARKS

Gerhard AURBACH
Secretary-General of the ECMT
Paris
France

I would like first of all to wish you a warm welcome to our Seminar and to thank you for having responded to our invitation by actively participating in this event.

Secondly, I would like to explain the position that this Seminar holds in the framework of the activities of the European Conference of Ministers of Transport. You will be meeting here **today** and tomorrow under the auspices of **an** intergovernmental organisation whose main function is to serve as a forum for co-operation to Transport Ministers, **a** forum which has been open, since the beginning of the 1990s, to the countries of Central and Eastern Europe. Eleven of these countries are now full Member states of the Organisation, and others are in the process of joining.

Why have we decided to organise this Seminar? **It** seems to me, in the present geopolitical situation in Europe, there are two responses -- one of an institutional and another of an operational nature.

With regard to the institutional aspect, 15 European countries, **all** members of the ECMT, have committed themselves to a stronger and very structured co-operation within the European Union while the process of transition is continuing to take shape, at different rhythms in the different countries of Central and Eastern Europe, who have become new members of the ECMT.

Consequently, we consider that the ECMT, because of its political mission as well as its new composition, is a natural bridge between these two groups of countries in the transport sector, for regulations, modes of operation, quality requirements and many other important policy aspects.

Along the same lines, the work programme adopted by our Council of Ministers for the current period gives our Conference a specific role as regards questions related to the integration of **CEE** countries, to make their participation in the transport system across the continent easier. This presupposes, according to a widely shared opinion, a compatibility, if not a convergence, between economic reforms undertaken in the new Member states and the regulations implemented by the European Union. At the very least, we need to reach an adequate harmonization of the rules of competitiveness, and at the same time, a gradual opening up of the markets on a multilateral level, recognising that the European Union constitutes one pole, which is already established and dominant, and therefore an inevitable part of this challenging undertaking.

To follow up on this point, which has been declared a priority in our programme, a special Group was set up, under the chairmanship of Mr. Zarnoch, Polish Deputy to the Minister of **Transport**, who is here with us today.

Apart from these considerations of an institutional nature, we have also felt compelling reasons at the operational level to organise this Seminar, which you will find reflected in our agenda. As a reference point, I'd like to take the preamble of a Declaration adopted exactly one year ago, last March, at the Pan-European Conference on Transport which took place in Crete, with the participation of Transport Ministers, members of parliaments, business people and professionals from all the European countries and to which the ECMT, together with other concerned organisations, actively participated. The Declaration underlines, and I quote: "Co-operation in the transport sector in Europe calls for the gradual opening up of domestic markets to third parties and the defence of the principles of the social market economy, including free and fair competition."

Basically, this Seminar is just one of many activities undertaken by the relevant organisations to help transform political will, as expressed in the passage I have just quoted, into concrete action.

Along the same lines, the ECMT Council of Ministers, at its last session, reiterated the concerns expressed by the Polish Minister of Transport, on behalf of his colleagues in the countries in transition, about the great qualitative differences that exist between the transport systems of Western and Eastern Europe. These differences are naturally felt in access to markets and their operations. For the operators, these differences -- along with other factors, of course -- are real barriers to the access to European transport markets.

The progressive and gradual liberalisation of this access is therefore an important component of any transport policy in an expanded Europe and will determine, to a great extent, the possibility of creating, step by step, an integrated transport system on our continent.

That is the general aim and background of this Seminar.

I will not go into specific questions which will be discussed during the different working sessions, because I think our Chairman would like to follow up this point with his own introductory remarks, in keeping with the organisation and flow of our work.

I would just like to point out that the Seminar programme covers, as you will have noticed, a multitude of aspects to be considered, especially those of an economic, regulatory and practical nature. Today and tomorrow, we will have to concentrate on the overall problems, through free and open discussions. Our task is to identify the problems and to look together for possible solutions -- not to make official declarations. Therefore, the Summary Report on this Seminar will be written in operational terms, not in terms expressing the formal positions of the different countries.

Much of the discussion will inevitably centre on the road transport sector, but we should not forget that the other modes of transport also have a role to play, a role that the Ministers would like to see them fully assume.

Difficult, even delicate, questions will be raised in your discussions. For example, how can we preserve an important role for railways, while the road transport sector is taking overdue, above all, to its dynamism and flexibility? How can we maintain and even strengthen the standards of quality in an unregulated environment? More generally, we will have to take care so that the concerns about the consequences of continual growth in road transport do not become obstacles to trade for the CEE countries.

Finally, let us be aware, too, of the risk of wanting to impose costs on economies in transition that the Western economies were not able to take on at a similar stage in their development.

Now that I have completed these preliminary remarks, I would like to express my warmest thanks to all those who have agreed to play an active role in this Seminar, especially our Rapporteur, Mr. Burnewicz, and to those who will be giving presentations during the different working sessions and who, through their respective contributions, will stimulate a lively discussion. And

let us not forget the preparation and follow-up work of this Seminar that was done by my colleagues at the ECMT Secretariat, Mr. Jack Short, assisted by Mr. Ludomir Szubert.

I would especially like to thank the representatives of the European Commission for their co-operation in a field where it is in everyone's interest to consolidate our efforts in an act of synergy.

We plan to present the results of your work to our Committee of Deputies, then to our Ministers, with the aim of finding the ways and means that will allow us to achieve tangible progress in the reduction of barriers between the transport markets in the different parts of Europe.

With this aim in mind, I leave you the task, Mr. Chairman, of conducting the discussions over these two days with the efficiency and expertise for which you are known.

INTRODUCTION BY THE CHAIRMAN

Mr. Jean-Claude BERTHOD
Danzas
Paris
France

After the Second World War, relations in the transport field between Western Europe and Central and Eastern Europe had posed problems which were duly resolved. Since the fall of **the** Berlin Wall, declining traffic flows and the proliferation of transport companies and shippers in **the** East have posed problems of a different type.

Although these problems vary from one country to another, they share many points in common. This is what makes the theme of this seminar a particularly interesting one.

A glance at the programme shows that an overview of the economic and political framework was considered a necessary preliminary to the examination of the regulatory framework which is vital for the issues which concern us today. It is this framework which should facilitate harmonization of the conditions of competition to an adequate level.

This morning's session will be followed by a more detailed review of a number of regulatory or technical aspects, not forgetting the thorny problems of border crossings.

Before giving the floor to the various speakers who have come from both East and the West to present their papers, I would like to give you a brief account of my own experience in this field working for the company I represent.

Long before the Berlin Wall came down, my company was operating as a haulier and shipper with various Eastern European countries, without any particular problems. Obviously, a knowledge of the specific situation in these countries was needed, as well as a reputation as a reliable partner.

Transporting to and from Western and Eastern Europe was not a risky venture, nor was it a major feat. The rules for East-West road transport were quite straightforward and the formalities were routine, though red tape could sometimes hold things up a little.

Bilateral agreements worked perfectly well as a means of regulating a bilateral market. This form of simple, concise agreement provided for quotas, common rules and specific reciprocal tax exemptions.

They were a practical "quantitative" solution to the problems confronting hauliers on routes which had only a very limited number of operators.

The bilateral framework still exists today. It still helps when there are co-ordination problems and helps balance out traffic and market share among transport operators. However, some things have changed: the state-owned carriers of the past have been replaced by large numbers of transport companies and/or shipping agents. The bilateral framework still acts a "safeguard", imposing quantitative restrictions on access to the international market, but it does have its limits, if only as regards transit problems.

Some Central and Eastern European countries discovered multilateral permits when they first joined the ECMT and, by the same token, new expansion opportunities for transport operators. As the numbers of such permits are necessarily limited, the issuing authorities have had to tighten up their licensing criteria. This is a first step towards a "qualitative" selection system.

Currently, in the East and West alike, the basic ingredients needed to transport goods are a carrier, a lorry, a permit, a **TIR** carnet, a good driver and the necessary resolve, but chances are that these will not be enough.

The necessities of economic competition, political and environmental constraints and, lastly, growth, mean that the transport industry has to adapt continually.

A European transport market is an objective we all share. Developing a transport policy for the European Union has been difficult enough, and still is. We must therefore be fully aware that, when trying to harmonize the terms of

competition in countries which are starting from very different situations, we will have to proceed in stages and take a pragmatic but nonetheless ambitious approach.

I hope that our work will find solutions that will create a level playing-field for operators in the East and West **alike**, but it will obviously be difficult to get around European Union transport policy.

I would like to add that road haulage is one mode of transport, among others, which developed out of trade between the East and the West, just *as it* did in the countries of Western Europe.

It is one of the modes available on the transport market, not the only one. The key to economic development is to make wise use of **all** transport modes. Let's not forget it.

OVERVIEW OF MAIN ISSUES AND PROBLEMS

Mr. Jan BURNEWICZ
University of Gdansk
Gdansk
Poland

1. INTRODUCTION

The creation of a single European transport market without restrictions or barriers to access, based on harmonized conditions of competition, is becoming one of the principal objectives of common transport policy in Europe. This objective is attracting the attention of third countries as well as the Central and Eastern European (CEE) countries and the European Union. The achievement of this objective could bring positive economic and social results in both parts of our continent, despite the reservations and fears sometimes expressed.

Free access to the single European transport market cannot come about straight away simply as the result of an agreement. In order to achieve full liberalisation in this field we need time and patience. The existing barriers, which are causing economic losses in certain countries, are not of an administrative nature but have deep and multiple roots. It is necessary to know their nature, origins and general significance, and to draw attention to the more worrying cases. Our present state of knowledge does not permit us to prepare viable solutions immediately, but at least we can list the problems to be resolved, formulate hypotheses, envisage the stages of work required and estimate an approximate date for achieving the goals.

The revival of economic growth in a growing number of European countries will lead to a growing volume of trade and the need to transport more and more goods. Transport problems could slow the development of international trade in Europe or reduce tourist travel which is of such economic and cultural importance that it really must be facilitated. The question is, over which European links and corridors are the biggest increases in traffic to be expected in the European Union: between member countries and

associate countries, or with the CEE countries? We may postulate here that a significant acceleration of trade is to be expected between the associate countries and certain EU countries (Germany, Austria and Benelux).

The ECMT is the best European forum for discussing the integration of CEE operators in the European transport markets. These discussions will permit the problems to be solved, provided that:

- all the parties concerned are represented;
- the most complex problems are the subject of research carried out by the best European specialists in the fields of transport economics and transport policy.

2. OUTLINE OF THE FACTORS DETERMINING THE LIBERALISATION OF ACCESS TO THE TRANSPORT MARKET

Free access to the European transport markets is determined by the following factors:

- political and administrative factors (Treaty of Rome, Community regulations, European transport agreements and conventions, national transport policies);
- economic factors (prices of the factors of production, cost structure, controls to ensure fair competition, profitability of firms, competitiveness of transport services, sharing of the market among national operators);
- fiscal factors (fuel taxes, taxes on vehicle ownership and use, pricing of toll infrastructures);
- organisational and technical factors (infrastructure quality, technical standards of vehicles, capacities at frontier crossings, computer and communications networks for transport information services);
- social factors (acceptance of democracy and free competition, unemployment rates, social conflicts).

It would be useful to develop a method generally applicable in Europe aimed at achieving a balanced sharing of national interests in the transport sector. This balance cannot be limited to carving up markets according to simple mathematical formulae such as 50:50 or 40:40:20; it must be admitted that all quotas set in advance are in contradiction with the principle of free and

healthy competition. The problem lies in how to arrive at a political consensus in a situation where the acceptance **of free** competition leads to the market shares being highly disadvantageous to certain countries, despite harmonization of the conditions of competition.

Free access to the European market is an opportunity for all, even though it entails certain risks. It is interesting that these risks are perceived differently in the CEE countries and in Western Europe. The rich countries are afraid of the poor countries and vice-versa. Members of the European Union are afraid of the unfair competition of the low prices practised by Eastern operators, while in the CEE countries the fears are connected with the financial and technical strength of the western firms, their better labour productivity, and the arrangement of the European service network. The question is whether these fears are justified and whether the perceived threats on both sides are symmetrical or not. It is not possible to answer this question without making in-depth analyses based on reliable statistics and computer simulations.

The above list of factors determining market access implies a very substantial need for research, and the research task is made all the more difficult by the lack of statistical data and the limits on access to confidential information concerning the economic outcome of transport firms' activities.

3. THE POLITICAL AND ADMINISTRATIVE FACTORS GOVERNING ACCESS TO THE MARKET

In its Articles 74 to 84 concerned with transport, the Treaty of Rome did not define the conditions for market access for either members of the European Community nor for third countries, but obliged the Council of Ministers to set these conditions in the future.

Between 1962 and 1992 Community regulations concerned only transport between EEC member countries. It was not until 1992 that the European Community declared for the first time its desire to tackle the problem of market access for third country operators. Paragraphs 291-331 of the Commission document of December 1992 [COM(92)494] point out the need to replace bilateral agreements with third countries by agreements between the EU and these countries and to eliminate national clauses which are in contradiction with EU regulations. Taking account of the positive evolution of the political

and economic situation in Poland, Hungary, the Czech Republic and Slovakia, this document (para. 325) gives the green light to the conclusion of agreements with these countries for the free provision of transport services.

The idea of liberalising access to European transport markets was stressed in the Final Declaration issued by the Second Pan-European Transport Conference held in Crete in March 1994. Point B1 reads as follows:

“Transport policy should be organised on a social market economy and free and fair competition basis in all the participating states and at European Community level; the progressive freeing of access to the transport market and to the transport of passengers and freight offered on national territory should go ahead on a reciprocal and mutually advantageous basis and in accordance with the progress made in achieving free movement of goods and passengers within the national territories and in harmonizing the conditions of competition.”

The problem of market access was highlighted during the meeting of the ECMT Council of Ministers in Annecy on 26-27 May 1994. The Polish Minister, Boguslav Liberadzki described the barriers which CEE operators encountered in Western Europe and launched the idea of making an analysis of these barriers; an idea accepted by the Group on integration of new member states and accepted by the Council of Ministers on 3 January 1995.

At present the free provision of transport services is stressed in the majority of documents presenting national transport policies. The Polish document of October 1994¹ recalls in paragraph 57 that the liberalisation of market access results from the European Agreement on association with the EU and stresses the fact that the coming Polish-EU agreement in the field of transport must be in conformity with the GATT agreement. Hungarian transport policy is based on the idea of harmonization with the EU and stresses the need to eliminate all the limitations on the provision of transport services which can be supplied strictly in accordance with the rules of healthy competition². The Czech Republic too states that all its legal and technical regulations in the transport field are compatible with EU regulations³. It is very probable that transport policy in the other CEE countries is framed in the same spirit.

4. THE ECONOMIC FACTORS INVOLVED IN THE LIBERALISATION OF MARKET ACCESS

Economic factors have a very great influence on the political and regulatory environment of the European transport market. The barriers and limitations encountered by foreign operators have their roots in the great international disparities in:

- factor prices: labour and vehicle maintenance costs;
- the transport cost structure: overheads and costs per kilometre;
- the productivity of transport vehicles;
- service quality and the prices negotiated on the market;
- profitability of transport enterprises.

The inequalities in the level of costs between the CEE and Western European operators are to a large extent due to the differences in labour costs. In 1992, one hour of labour in Poland cost 12.2 times less than in Germany, and in Hungary it cost 3.9 times less than in France (see Figure 2). Between 1985 and 1992 the gap was reduced slightly (in the case of Poland from 12.7 to 12.2 times, in the case of Hungary from 5.8 to 3.9), but the differences are still enormous. These economic indicators are changing at a rate determined by the economic changes taking place in the CEE countries and it will be very difficult to equalise them rapidly. It is not possible to harmonize them by means of international agreements.

The differences in labour costs in the transport sector lead to differences in the cost structures between eastern and western operators: labour costs amount to no more than 15 per cent of total costs in the East, whereas they are in the order of 30-40 per cent in the West.

It is easier to equalise the costs associated with vehicle renewal and maintenance. All European road haulage operators use the same types of truck in international traffic: (Volvo, Man, Scania, Renault, Fiat, Mercedes, etc.), but there are enormous differences in domestic transport, where the east European truck fleet is often very obsolete. In international road haulage the equalisation of vehicle renewal and maintenance costs can be expected in the future.

Despite the very low labour costs in the CEE countries, the costs of providing international road haulage services do not differ very much.

According to studies by the NEA Institute, INRETS and the University of Gdansk, the cost per vehicle-kilometre in 1994 was:

Poland	26 960.00 zł	0.96 Ecu
France	6.32 FF	0.96 Ecu
Netherlands	2.35 Fl	1.19 Ecu

These figures are perhaps not representative of all types of international road haulage operation in these three countries, but they do give some general idea of the situation.

The reasons for the differences in the efficiency of the activities of road haulage enterprises are connected with the productivity of the vehicles used. The average annual kilometrage is estimated at some 115 000 km in France⁴, while in Poland it is about 106 700 km (of which 86 300 loaded)⁵. The Eastern enterprises generally carry bulk goods and the prices negotiated on the market are not high.

One of the most interesting and delicate problems is that of the sharing of the market among operators. Over certain links the Eastern carriers have over 60 per cent of the market (sea and waterway links). In order to analyse the situation we need international traffic statistics of the “origin-destination” type, but at present these are neither complete nor reliable.

During the 1980s the breakdown of the road haulage market was favourable to the east European operators (see Figure 3). In 1984, Eastern bloc hauliers carried 52 per cent of the bilateral road traffic, while Community hauliers carried 42 per cent and third country operators 6 per cent. The Commission of the European Communities concluded that the imbalance in the market shares for the whole of East-West road transport was not so serious as was thought at first, but despite this conclusion the Economic and Social Committee of the European Communities published a report in 1988 demonstrating the poor functioning of the co-operation agreements in the transport sector. Table 1 shows the breakdown of the road haulage market between the European Community and Eastern bloc countries in 1985. It would be very useful to update these data to show the situation in the 1990s.

**Table 1. Road haulage market shares in 1985 for East-West traffic:
(1) EEC country, (2) Eastern bloc country, (3) third country (per cent)**

Statistical base for EC countries	USSR	Poland	GDR	Czecho-slovakia	Hungary	Bulgaria	Romania
FRG	3-92-5	57-33-10	44-53-0	44-55-0	18-59-23	10-79-11	34-57-9
France	12-82-6	21-53-26	16-66-18	12-72-16	19-56-25	1-81-18	14-82-4
Italy	4-53-0	87-13-0	33-67-0	40-60-0	45-55-0	49-51-0	43-57-0
Netherlands	19-76-5	54-27-19	24-56-20	22-69-9	34-46-30	6-41-53	5-71-24
Belgium	0-92-8	22-49-29	14-62-24	2-73-25	24-46-30	6-41-53	5-71-24
Luxembourg	0-100-0	0-62-38	33-56-11	0-100-0	0-98-2	0-55-45	0-98-2
UK	57-10-33	19-75-6	5-58-37	1-95-4	7-86-7	58-18-24	29-60-11
Ireland	0	0-100	38-0-62	0-97-3	0-100	34-66-0	0
Denmark	50-0-50	76-10-14	30-35-35	41-37-22	49-40-11	28-45-27	83-10-7
Greece	1-94-5	10-87-3	22-64-14	44-56-0	46-53-1	72-27-1	88-11-1

Source: COM(89)78 final.

We have no statistics on the use of railway wagons in freight traffic between the EU and the CEE countries. During the 1980s, when East European exports were carried mainly by rail, it was clear that the rolling stock used was for the most part non-EC, probably 60-70 per cent Eastern bloc. The situation has changed considerably during the 1990s, with the Eastern railways being severely affected by a great lack of modern rolling stock.

In inland waterway transport the Eastern bloc operators had a very large share of the market in the 1980s (see Table 2).

In 1988 the shares of the different flags in **the** East West direction were:

The corresponding shares in the West-East direction were:

EEC	2.5 %
East bloc	97.4 %
Other	00.1 %

After the coming into force of Supplementary Protocol 2 to the Mannheim Act, the situation started to change in favour of European Union operators:

Table 2. **East-West international waterway traffic by flag** ('000 tonnes)

Year	EEC		Eastern bloc		Other		Total	
	E-W	W-E	E-W	W-E	E-W	W-E	E-W	W-E
1984	1016	152	4884	3621	7	9	5907	3 782
1985	988	208	4014	4 034	18	5	5 020	4 247
1986	710	124	4 353	4 087	22	2	5 085	4213
1987	655	123	4 276	3 892	21	9	4 952	3924
1988	1012		4 794	3947	9	3	5715	4051

Source: EUROSTAT 7C 1984-88. Inland waterways.

During the 1980s ships flying east European flags dominated East-West seaborne trade. In fact over two-thirds of these goods were carried by Soviet, German Democratic Republic, Polish and other East European vessels (see Table 3).

Table 3. International seaborne trade in Europe by flag (per cent)

Flag	EEC	Eastern bloc	Other	Total
1986				
East-West	14.4	66.7	18.9	100.0
West-East	7.7	86.7	5.6	100.0
Both directions	13.4	69.8	16.8	100.0
East-West	17.1	64.5	18.4	100.0
West-East	8.7	86.2	5.1	100.0
Both directions	15.7	68.1	16.2	100.0

EEC: Belgium, France, Italy, Netherlands, Portugal, United Kingdom.

CAEM: USSR and Poland.

Source: EUROSTAT 7C, Transport and Communications 1970-87.

The figures in Table 3 confirm the opinion of EEC maritime circles that during the 1980s East European flags were dominant in East-West trade. The arrival of the market economy has greatly changed this situation and several east European shipping companies are suffering because of their critical financial situation.

5. FISCAL INEQUALITIES AFFECTING EAST-WEST COMPETITION ON THE MARKET

The profitability of transport firms operating on the European market depends very much on tax level: fuel taxes, taxes on the ownership and use of vehicles and other taxes specific to transport. Fuel prices are still higher in Western Europe than in Eastern Europe, and this is often due *to* differences in taxation. Table 4 shows the example of diesel prices in the European Union and Poland.

Table 4. **Structure of diesel prices in Europe, March 1993**
(French francs per litre and per cent)

Country	Cost price	Duties	VAT	Sales price	Per cent			
	FF/ litre	FF/ litre	FF/ litre	FF/ litre	Cost price	Duties	VAT	Sales price
Germany	1.382	1.851	0.48	3.72	37.2	49.8	13.0	100
Belgium	1.574	1.865	0.67	4.11	38.3	45.4	16.3	100
Denmark	1.681	1.717	0.85	4.25	39.6	40.4	20.0	100
Spain	1.479	1.772	0.49	3.74	39.6	47.4	13.0	100
France	1.260	1.736	0.56	3.55	35.5	48.9	15.7	100
Greece	1.203	1.700	0.52	3.43	35.1	49.6	15.3	100
Italy	1.307	2.127	0.65	4.09	32.0	52.0	16.0	100
Netherlands	1.500	1.791	0.58	3.87	38.8	46.3	14.9	100
Portugal	1.414	2.086	0.18	3.68	38.5	56.8	4.8	100
UK	1.490	2.077	0.62	4.19	35.6	49.6	14.9	100
Average EU	1.429	2.872	0.56	3.86	37.0	48.5	14.5	100
Poland 1994 (zl)	1.010	0.610	0.37	2.07	52.3	29.6	18.1	100

Source: "L'Officiel des Transports", 1993 No. 1762, p. 9;

Regulation of the Polish Ministry of Finance concerning duties and VAT in 1993 and 1994.

On the basis of the figures in Table 4 it can be seen that EU member countries have already more or less harmonized diesel taxes and prices. In 1994, the price of diesel in Poland was only 54 per cent of the average European Union price and the difference was due much more to the low level of duty than to the cost price or VAT.

Taxes on the ownership and use of vehicles are not known in the CEE countries. Unlike the duty on diesel fuel, these taxes are not yet harmonized in the European Union, being lowest for a 38 tonne truck in France (190 Ecu/vehicle/year) and highest in the United Kingdom (6337 Ecu/vehicle/year). In Poland in 1992 this tax was about 422 Ecu/vehicle/year, or similar to the level in Spain and Italy.

Polish road hauliers are subject to specific taxes connected with the provision of international transport services: the cost of a concession is

approximately 195 Ecu/truck/year and the cost of an authorisation for a round trip is about 24 Ecu/trip (or 705 Ecu/truck/year). This specific additional taxation therefore cancels out the savings connected with the lower taxation on diesel (approximately 1 060 Ecu/truck/year).

Toll charges do not have any influence on the relative competitiveness of western and eastern haulage firms. The absence of tolls in Eastern Europe does not benefit eastern operators alone, since western operators are in an identical situation. The existence of these tolls has **an** influence on transport costs within the European Union.

6. THE REGULATORY FRAMEWORK FOR TRANSPORT IN EUROPE

Access to West European land transport markets for CEE operators is governed by Community regulations, existing bilateral agreements and the ECMT quota in road haulage.

In road transport the situation on the single Community transport market is clear: access to this market is possible under the provisions of Regulation EEC/881/92 of 26 March 1992⁶. These provisions are applicable to transport between EU member countries and third countries where an agreement is concluded between the EU and the third country concerned. Community operators can operate in international road transport provided that they hold an authorisation (valid for five years) from the competent authorities in their country of origin.

In practice, access of CEE operators to West European markets depends on bilateral agreements and the number of round **trip** authorisations or period authorisations (equivalent to 15-30 trips). The number of such authorisations is negotiated each year according to the expected volume of trade and the applications on the operators' side. In Poland, where the volume of international road transport now exceeds 5 million tonnes a year, the number of authorisations has risen to over 700 000 trip authorisations a year (including 280 000 German authorisations).

In rail transport the liberalisation of access to European markets is provided for in paragraph 5 of EU Directive CE/91/440⁷: according to procedures to be defined, international groupings should be granted rights of access and transit in

member states in which the railway undertakings comprising them are established, as well as right of transit in other member states, for the provision of international transport services within the European Union. This provision implies in particular that national railway undertakings no longer have the exclusive right to use their networks, and that the principle of competition is also present in the rail transport mode.

The entry into force of this directive will begin by creating the legal conditions for access to the market without discrimination; we shall have to wait some years however to see its practical application*. The CEE railway undertakings, now only in the early stages of their restructuring, are not enthusiastic about the provisions of Directive 440/91.

In international waterway transport the most important aspects are connected with the freedom of access to Rhine and Danube navigation. By virtue of the Mannheim Act and its additional protocol 21, access to Rhine transport is free for craft in Rhine navigation; it is subject to conditions fixed by the Central Commission of the Rhine for third country craft. For a craft to be in Rhine navigation, its owner and/or operator have to prove a "real link" with a signatory country to the Mannheim Act or with one of the member states of the Community. As for traffic involved in trade between Western and Eastern Europe, access depends on bilateral agreements in which it is often provided that half of the traffic is reserved for the fleets of each state concerned'.

7. IDENTIFICATION OF THE BARRIERS AND LIMITS FACING OPERATORS FROM THE CEE COUNTRIES

The barriers encountered by CEE operators on the European transport market are connected with both the transport policies of EU member states and with the economic weakness of east European firms. The list of such barriers drawn up by eastern operators is perhaps subjective, but it does indicate areas of difficulty which could usefully be discussed in the ECMT.

These barriers should be divided into two categories:

- **barriers connected with the normal operation of the transport market:** conditions of access to the profession, methods of access to international transport markets, technical standards for vehicles, regulations governing working conditions, road safety rules, environmental standards;
- **barriers connected with the interests involved in the transport sector:** administrative limits, taxes levied on foreign operators only, sectors reserved for the national flag only, etc.

Barriers in the first category can be overcome as the CEE countries adapt to west European transport solutions. Certain exceptions are surely possible in the transition period. Barriers in the second category should be listed precisely, country by country, and should be the subject of analyses and negotiations. In this field there is room for manoeuvre which should make it possible to better balance the interests of both parties.

8. POSSIBLE SOLUTIONS FOR OPENING UP TRANSPORT MARKETS IN EUROPE

In road transport it would appear useful to start initiatives by drafting an agreement on the liberalisation of neighbouring traffic between 19 countries: the 15 EU countries and four CEE countries -- Poland, Hungary, Czech Republic and Slovakia. The condition for this initiative is naturally the harmonization of technical standards. It will require a little more time to achieve fiscal harmonization. The rules governing working conditions (driving hours and rest periods) are already respected in the majority of central European countries. After having achieved full harmonization (including the rules of access to the profession and for the creation of enterprises) it will be possible to liberalise both neighbouring transport (within 25 km of the frontier) and long-distance transport.

Better capacity utilisation in traffic between Western Europe and the CEE countries for both Western and Eastern operators will not be possible without a certain degree of liberalisation of road cabotage for non-resident operators. This is a difficult field, but the possibilities for action must be

studied. It might be possible to establish a quota limited to cabotage authorisations for those CEE countries **whose** international haulage firms already have a good reputation among Western carriers.

It is natural that operators in those CEE countries which are shortly to become members of the EU should be granted the right of free access to the European market more quickly than others.

NOTES

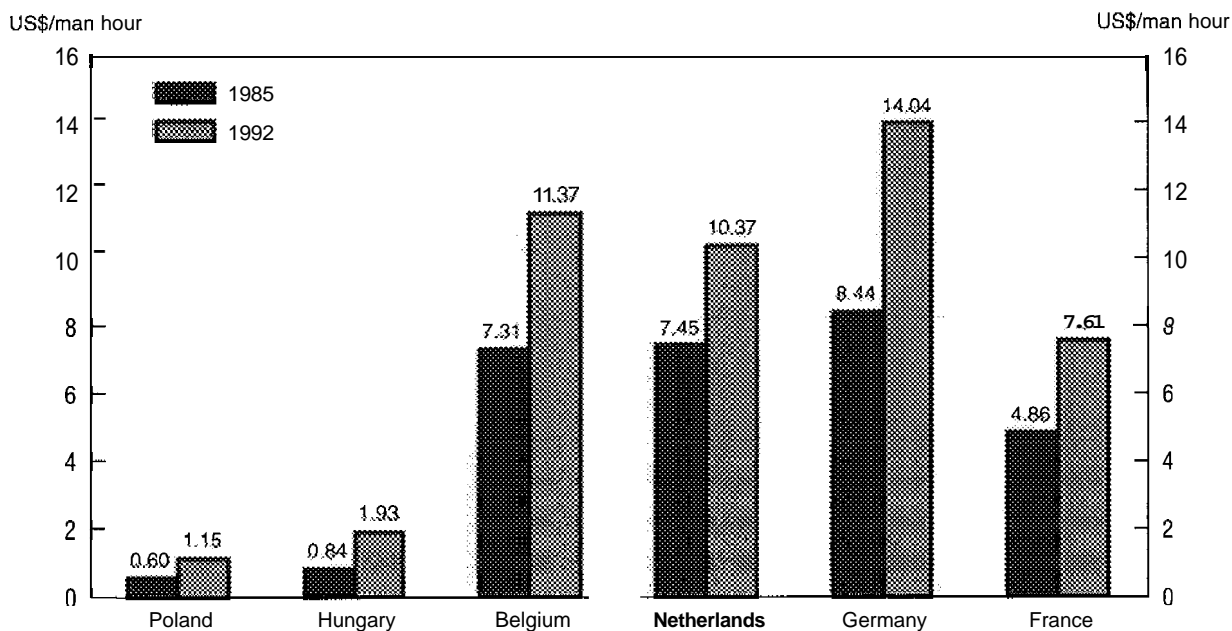
1. J. Wronka: Access of **the** Central and East European countries to the WEST European transport markets, Szczecin-Warsaw, October 1994, **p.1**.
2. The concept of Hungarian transport policy, Working Paper, Budapest, 6 April 1994, pp. III/12-13.
3. Exchange of views on developments in European transport resulting from transition **presses**, Inland Transport Committee, Economic Commission for Europe, TRANS/WP5/R.56, p.5 1.
4. G. Chatelus: *Coûts et prix du transport routier international de marchandises en France*, INRETS, Arcueil 1994, p.3.
5. It is surprising that this difference is not reflected in the cost levels in France and Poland.
6. OJ-L no. 95 of **1992**, pp. 1-7.
7. OJ-L No. 237 of 1991, pp. 25-28.
8. G. Heimerl: Co-operation/competition among equipment suppliers, ECMT international seminar on “Why do we need railways?”, Paris, 19-20 January 1995, p. 5.
9. “*Revue de la Navigation, Ports & Industries*”, 10 April 1990, p. **187**.

FIGURES

Figure 1. **Factors determining free access to European transport markets**

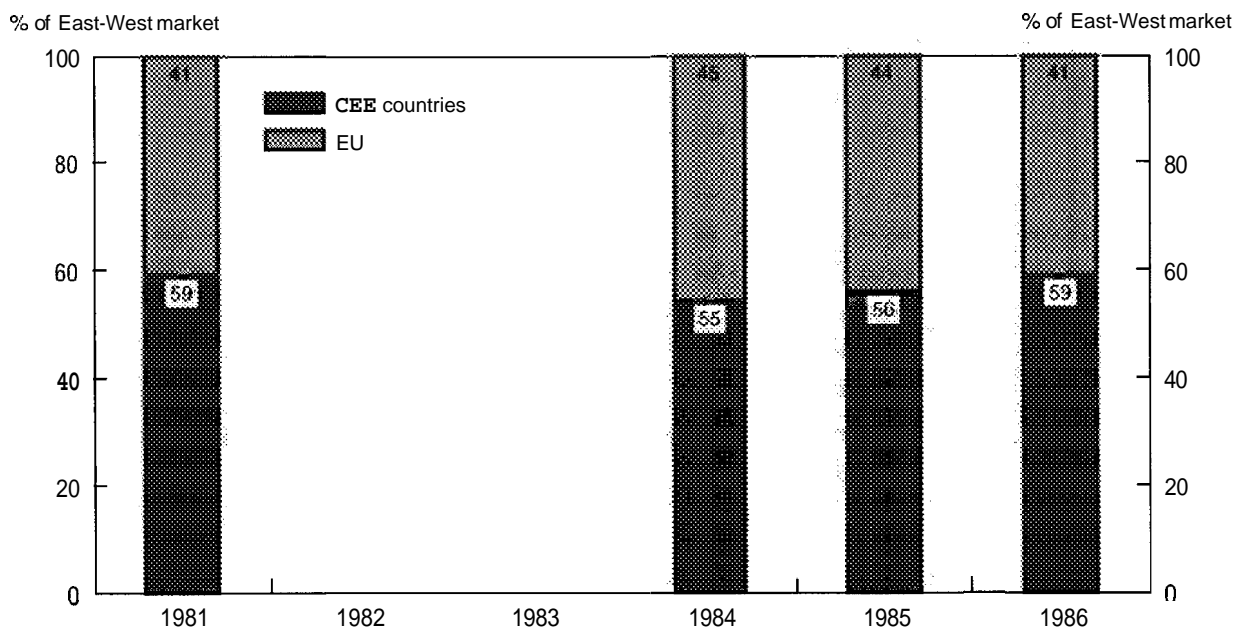
Political factors	Economic factors	Fiscal factors	Organisational and technical factors	Social factors
<ul style="list-style-type: none"> -- Treaty of Rome -- Community regulations -- European transport agreements and conventions -- National transport policies 	<ul style="list-style-type: none"> -- Factor prices -- Transport cost structures -- Control of fair competition -- Profitability of transport enterprises -- Competitiveness of transport services -- Division of transport markets between national operators 	<ul style="list-style-type: none"> -- Taxes on fuels -- Taxes on vehicle ownership and use -- Pricing of toll infrastructures 	<ul style="list-style-type: none"> -- Infrastructure quality -- Technical standards of vehicles -- Capacity at frontier crossings -- Transport service information networks 	<ul style="list-style-type: none"> -- Acceptance of democracy -- Acceptance of free competition -- Unemployment rates -- Social conflicts

Figure 2. Salary levels in selected European countries



Source: Rocznik Statystyczny GUS (Poland) 1394.

Figure 3. Trends in the European road haulage market during the 1980s



Source: COM(89)78 final, p.19.

I. Economic and Policy Framework

LATEST TRENDS IN TRANSPORT IN CENTRAL AND EASTERN EUROPE

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1. GENERAL FRAMEWORK

1.1 Very different situations depending on proximity to the EU

The opening of the East takes different forms as we move away from the eastern frontiers of the European Union and other proximities have to be taken into account, notably that of Asia. The paths taken to arrive at the 1989 situation and the changes of regime were very different from one country to another. The social reactions to the same conditions of economic transformation were often diametrically opposed.

1.2 Very substantial changes in the way of life

The recent period has revealed very deep-rooted aspirations for change which could not be expressed for many years. The upheavals seen in these countries are enormous considering the short lapse of time. The physiognomy of these countries and the way of life of their inhabitants have already been completely transformed. Mobility habits, the organisation of supply logistics and the opening up of trade with the west have already been completely remodelled.

1.3 Impatience, expectations of the populations, need to take action

While in the euphoria of the collapse of the old regimes everybody predicted a rosy future, as if everything would automatically come right, it was subsequently realised that the process of change would be long and painful. The previous regimes had already enclosed themselves in a logic of waiting for better times. This kind of discourse is no longer accepted by the people in a context of growing economic instability. Promises no longer suffice. Their impatience is legitimate and while knowledge of the transition mechanisms is improving, only the prospect of emerging from this transition process is likely to remobilise populations. In the field of transport too, the establishment of the necessary conditions for sustainable development means that it is no good waiting for a more favourable economic situation; action must be taken, and long-term objectives set, right now.

2. EVOLUTION OF THE TRANSPORT SITUATION

2.1 Traffic falling faster than GDP

1989 situation: transport volumes artificially high

The situation had changed considerably by 1993. Admittedly the collection of statistics on transport volumes had become much more difficult with the multiplication of transport enterprises and own account transport by small private enterprises, but generally speaking the demand for freight transport has dropped steeply while demand for passenger transport has fallen to a lesser extent. As for the modal split, in freight transport this has shifted in favour of road haulage since the volume carried by the railways has shrunk enormously while that carried by road has held up. Concerning waterway transport, the share carried on the Danube has fallen, mainly due to the war in Bosnia and the embargo on Serbia.

2.2 Freight transport: total volume and rail share falling rapidly

Total freight declining

Freight traffic volumes have fallen very sharply in recent years, and are down by over one-third in three years. However, the decline was somewhat

attenuated in 1992 thanks to the upturn in the world economy. It is also to be expected that the volume of transport per unit of production will fall in the years to come.

However, moving closer to the European Union could stimulate traffic growth due to an increase in foreign trade and the promotion of building and civil engineering activities which generate a great deal of transport.

2.3 Rail share collapsing

The rail share of freight transport has collapsed in all central European countries. In fact it is essentially on the railways that the overall decline in transport volumes has had its effect, the volume carried by road apparently remaining fairly stable. The rail sector has lost from one-third to two-thirds of its freight.

There are several reasons for this trend: rapid switch to road haulage, small countries in Central Europe not suitable for the railways, collapse in production.

The maintenance of a substantial market share, even though greatly reduced as compared with earlier levels, will depend very much on the transport policy orientations adopted. For the moment, little is being done to reduce the dominance of road haulage, even though certain countries levy transit taxes and fuel prices are high, and despite the fact that frontier crossings continue to be a great handicap. But the railways remain uncompetitive.

2.4 Passenger transport: continuous decline in volumes

Passenger traffics follow the general economic trend and in particular that of incomes, with a steeper fall in **1992-93** which resulted in higher unemployment. In Central Europe, Poland has experienced a very steep fall, no doubt connected with the size of the country.

The main factor seen in passenger transport has been the very sharp increase in the cost to the user. The price of train tickets, which used to be very heavily subsidised, has been considerably increased to reach a level equivalent to between a quarter and a half of Western fares. There have also been increases in the prices of vehicles and above all in running costs.

2.5 Growing car ownership despite higher petrol prices and lower incomes

Car ownership rates have increased enormously since 1989.

Be this as it may, the central European countries (the Visegrad countries) as a whole have car ownership rates which are comparable in some cases with those of Greece or Portugal, despite considerably lower GDPs. These relatively high rates are associated with a car utilisation rate which has fallen greatly, with annual kilometrages being reduced by as much as half. Certain very specific characteristics explain this growth in the car stock at a time when household incomes are shrinking. First, the old existing car stock has a very long lifetime, then there were many purchases of company cars for managers; new up-market Western cars; liberalisation of the market for imported second-hand Western vehicles.

2.6 Reorientation of foreign trade

One of the first consequences of the collapse of the communist regimes was the dismantling of the CMEA and a reorientation of central European trade in the direction of the West, brealing the economic links of the former system. This break resulted in a sharp drop in traded tonnages between 1989 and 1991, a collapse in inter-CEE trade, and above all between the CEE countries and the former Soviet Union. Initially this breakdown of trade was not compensated to any significant extent by greater trade with the West. At present the pattern of trade is tending to stabilize, sometimes with relative trade shares with the former Soviet Union and other CEE countries which are lower than their proximity might lead us to expect. In the Balkans, foreign trade is continuing to fall, including with the European Union. The economic crisis, more acute in the Balkans than in Central Europe, is aggravated by the Serbian blockade which has serious consequences for the trade of neighbouring countries, both for bilateral trade and for the use of Serbia as a main transit corridor.

Henceforth, it would appear that the main factor in the evolution of trade between Central Europe and the EU will be the creation of new flows and no longer the redirecting of trade formerly carried on with the Soviet Union. The development of trade will therefore now depend much more on policies of reciprocal opening up and the development of the economic potential of central European countries than on the restructuring of foreign trade. In particular, the speed of the process of European integration and the degree of openness of the European Union to the products of these countries, often competitive in sectors

which are sensitive in the West, will be decisive for the development of foreign trade and the general economic situation of Central Europe and the Balkans.

2.7 Restructuring in the transport field

The road haulage industry is often well-suited to a process of rapid privatisation and the liberalisation of markets. Thanks to the simplicity of the process, many haulage enterprises have been dismantled through the sale of the trucks, often at modest prices, to their drivers. The sector has become atomised, with over 80 000 road haulage enterprises in Poland alone.

Only in international transport, of a more strategic nature and where the former state enterprises had sometimes proved themselves to be efficient, has a large enterprise structure been maintained. These enterprises however also need to be restructured to maintain their competitiveness, and one of the methods envisaged involves privatisation. But the **risk** of selling the main vector for foreign trade to foreign owners makes governments reluctant to privatise. Generally speaking, what is now lacking most is a modern institutional structure to enable the road transport market to function efficiently. This structure needs to be suited to progressive integration in the European Union,

In the field of air transport, the condition of the national airlines varies from one country to another. Some, like the Hungarian MALEV are among the most profitable in Europe. The solution most often envisaged is sale to big foreign airlines, but here again there are fears associated with foreign ownership. Governments generally prefer to keep a holding in order to have some control over their country's flagship enterprises.

Rail transport is no doubt the sector where the biggest difficulties are encountered.

Restructuring efforts are having to be made in a context of plummeting traffics and very poor quality infrastructures. Above all however, the railways are grossly over-staffed and are often the biggest employers in the country. The workforce needs to be cut by half or two-thirds to achieve the operating conditions generally accepted in the EU. The railways' financial situation is catastrophic, and many of them are carrying a very heavy burden of debt, amounting to 10 per cent of the domestic debt in the case of Hungary, for example. In this context, the railways still have to perform their essential public service obligations, as shown by traffics which still remain considerable despite the great declines recorded.

3. INFRASTRUCTURE

3.1 Rail infrastructures

Dense networks with poor performance

The general characteristics of the rail infrastructures appear good, with dense networks and an entirely acceptable degree of electrification, especially on the major national and international axes. But the proportion of double-track lines is already less than it should be, to say nothing of the quality of the infrastructures. There is thus a great deal of catching up to do. All central European lines were designed for low operating speeds in passenger transport (100-120 km/h at best), except for the Krakow-Warsaw line, designed for high speed operation (250 km/h). Lines through towns have very short radius curves, which makes their modernisation extremely difficult and costly. Furthermore, track equipment is inadequate (few automatic level crossings, very few automatic blocks, etc.).

The question of the AGTC combined transport network has been very revealing in this respect. This agreement **was** signed at the Prague Conference and made reference to a level of service to be achieved fairly rapidly in rail transport. The main technical requirements of the network were defined for the lines. The maps then produced showed the great density of combined transport networks in Central Europe, denser than in Western Europe, but the reality of the traffics shows that the true situation is quite the reverse, and the maps are already out of date despite praiseworthy efforts to improve service quality.

3.2 Inadequate maintenance

On top of these basic design faults however, the latent crisis affecting Central Europe in the 1980s, then the open crisis which followed the demolition of the Berlin wall led to very serious neglect of network maintenance, which now greatly slows rail traffic and reduces service quality even further. The maximum speeds actually achieved on the national and international networks in the centre of Europe rarely exceed 100km/h and on many lines it is difficult to achieve an average speed of 80 km/h for passenger traffic. And the situation is even worse in the Balkans, partly because of the terrain but also because of even worse maintenance.

The situation has changed very little since the political changes of 1989. Apart from certain isolated improvements there has on the whole been a

deterioration, with the resources available not being sufficient even to remain at the same level (it is estimated that only about one-quarter of the maintenance work required is effectively carried out).

3.3 Road infrastructures

Very few motorways

As regards road infrastructures, the most striking feature is the low density of motorways. While the demand for international road haulage is increasing, it is not yet possible to say that the traffic density justifies the construction of national motorway networks, because big volumes of traffic still tend to be localised in a few points of the territory. Only two major motorways have a status which goes beyond that of relieving traffic in the capital, one through the Czech Republic and the other through former Yugoslavia (closed at present because of the war). The second very serious quantitative handicap is the lack of motorway bridges. In fact, to cross the Danube there are only two big bridges in Bratislava, one between Hungary and the Slovak Republic, then seven urban bridges in Budapest in a very congested area, two mixed rail/road bridges of low capacity in Hungary, a few unusable bridges (one a motorway bridge) in Serbia, then another two mixed rail/road bridges of low capacity between Bulgaria and Romania. The situation for traffic which has to cross the Danube is thus critical, notably for transit traffic between Europe and the Middle East.

3.4 Heterogenous traffics

The second negative point is the heterogeneity of the users of these road infrastructures. The fact is that most of the major road **axes** pass through towns and villages, where they serve as the main street. They also serve as access roads for farms. Very different categories of user are thus thrown together: cyclists and pedestrians (no cycle tracks, narrow pavements), farm tractors and carts drawn by animals, as well as the more usual cars and trucks. A recent phenomenon which has developed is the increase in long-distance car and truck traffic. But here again, old, worn vehicles built under previous regimes, with very poor performance (speed, acceleration, road-holding), and old, second-hand Western vehicles whose condition may constitute a safety hazard, share the road with new, fast, powerful high-performance vehicles whose drivers are not always capable of handling them. Thus though the theoretical capacity of a road may be quite substantial, the actual traffic **flow** is greatly reduced by the heterogeneity of the vehicles using it.

3.5 Frontier crossings

It is essential and a matter of some urgency to modernise frontier crossings and open new ones as a first step to facilitate movement throughout the continent. It is unacceptable to have waits of many hours or even days for trucks at certain international frontiers (notably between Hungary and Romania or between Poland and Germany, though the phenomenon is found virtually everywhere) and a rapid solution should be found. And yet little progress has been made in five years, with the growth of international traffic far outstripping the efforts made to improve the situation.

The problem is more one of organisation **and** the will to do something about the situation than a matter of financing new infrastructures. However, the frontier remains a barrier against certain risks which could be presented by the less economically advanced countries. This protective aspect becomes more important as we move further East and Southeast. What is more, the presence of this frontier favours the development of a parallel economy, and there are many people involved in frontier crossings who certainly have no interest in seeing the situation resolved.

However, a solution to this problem appears increasingly urgent for the central European countries. Economic development is strongly stimulated by intense cross-frontier activity. The number of trans-frontier seasonal workers is growing everywhere. The setting up of subcontracting networks for EU enterprises in Central Europe is becoming widespread. Tourism is a most important source of income for a number of countries. All these vectors for development call for much smoother traffic flows at frontiers.

FIGURES

Figure 1. Car ownership in Germany: former FRG and former GDR

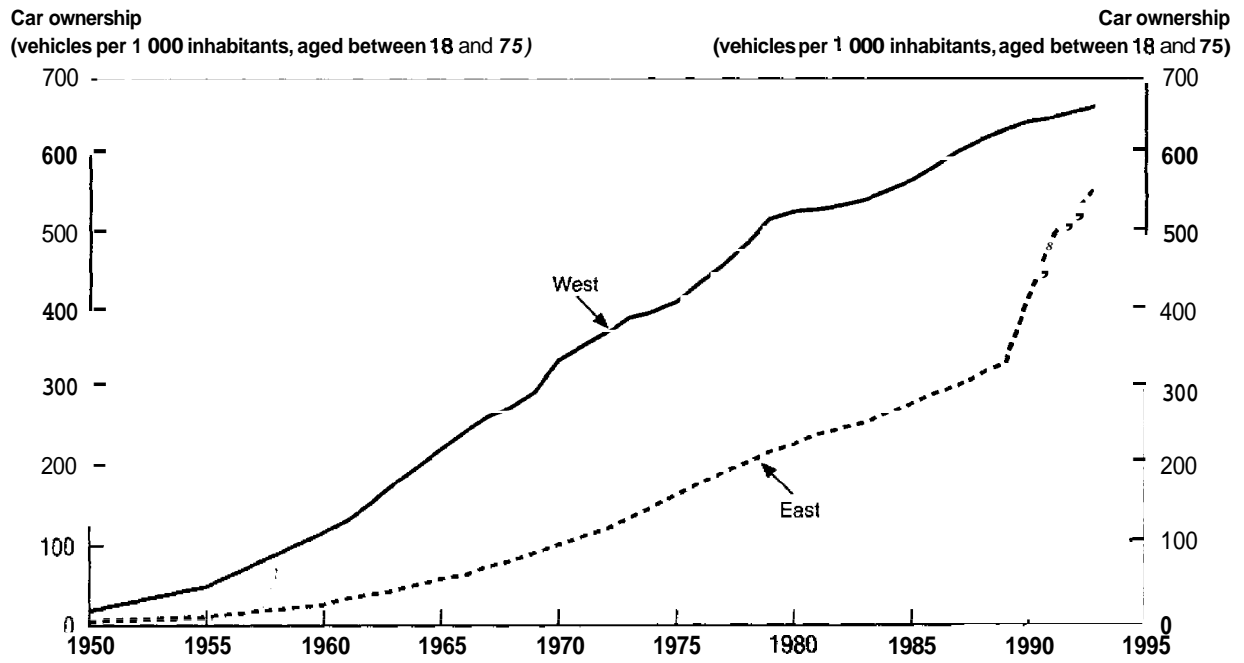
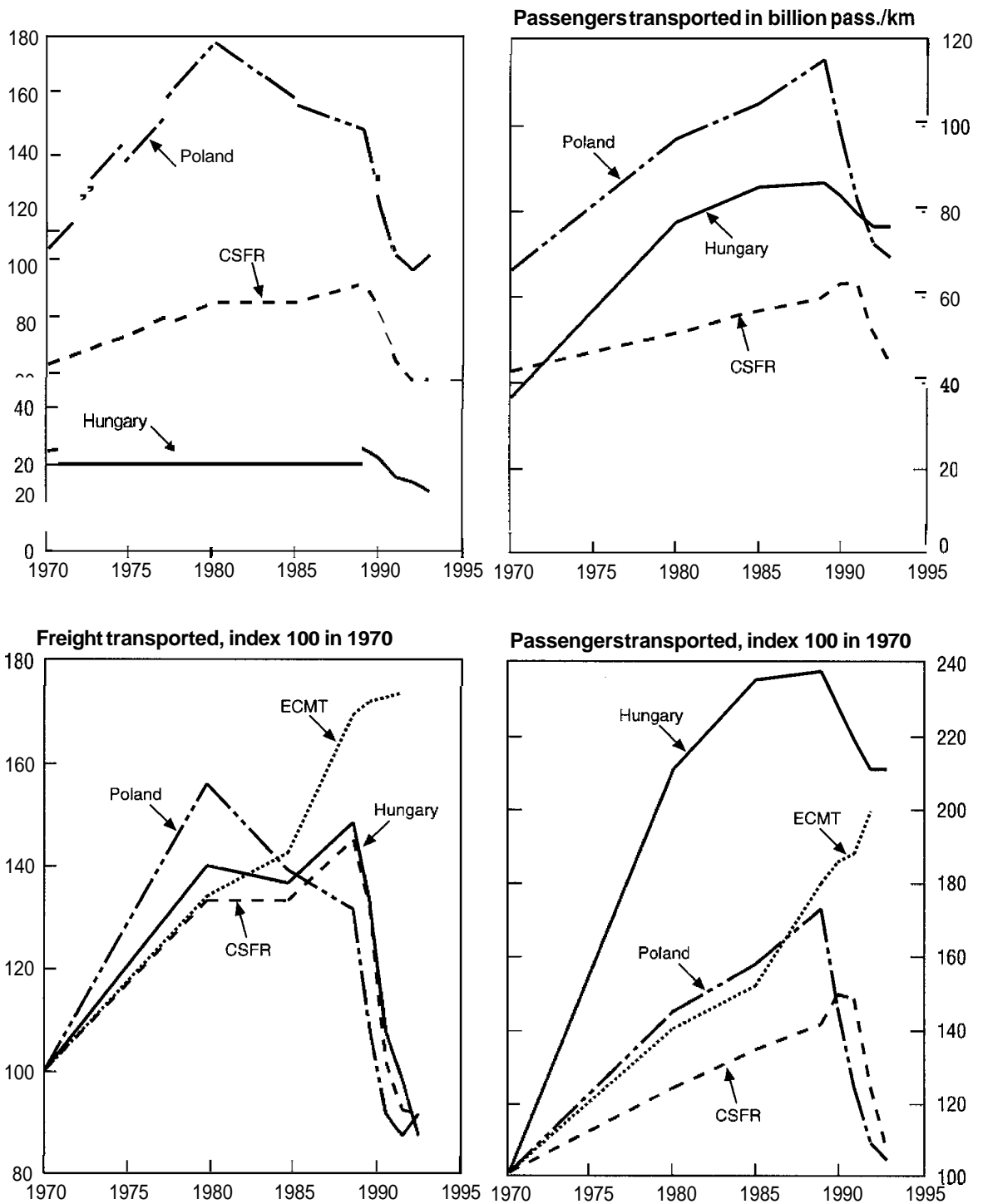
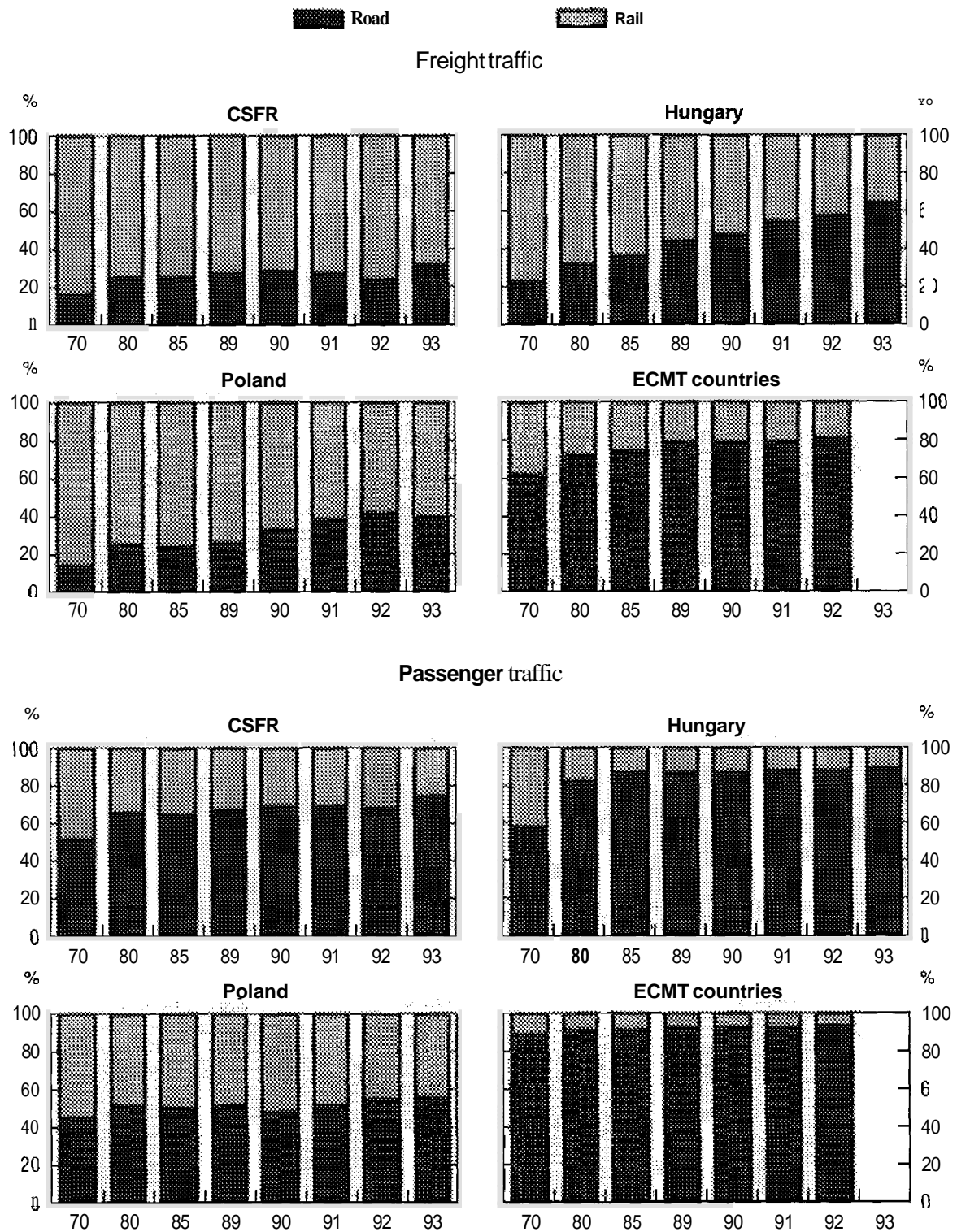


Figure 2. Trends in traffic volumes in three central European countries and ECMT countries



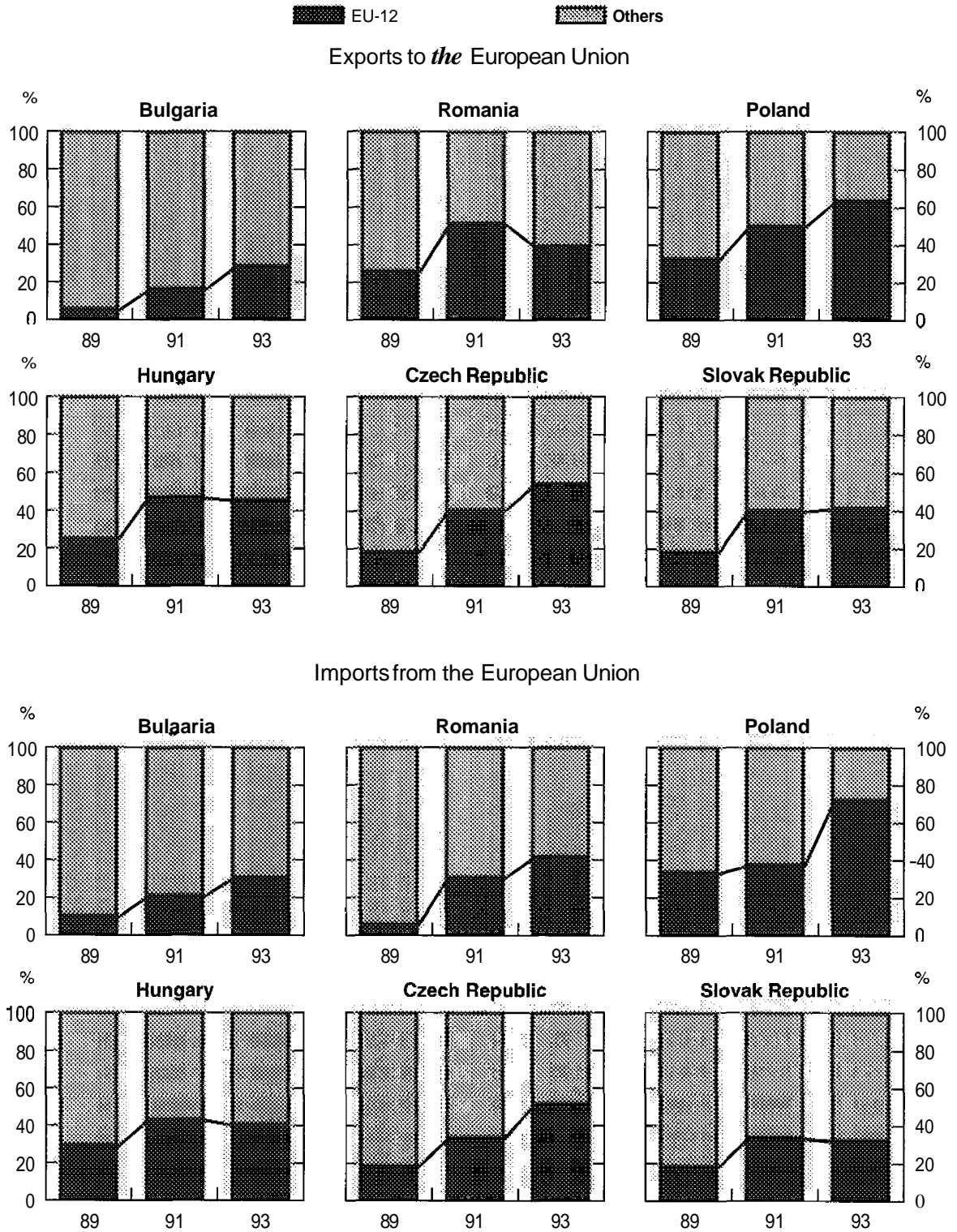
Note: Poland, CSFR: Passenger traffic: bus + train only.
Source: ECMT.

Figure 3. Modal split between road and rail in central European countries and ECMT countries



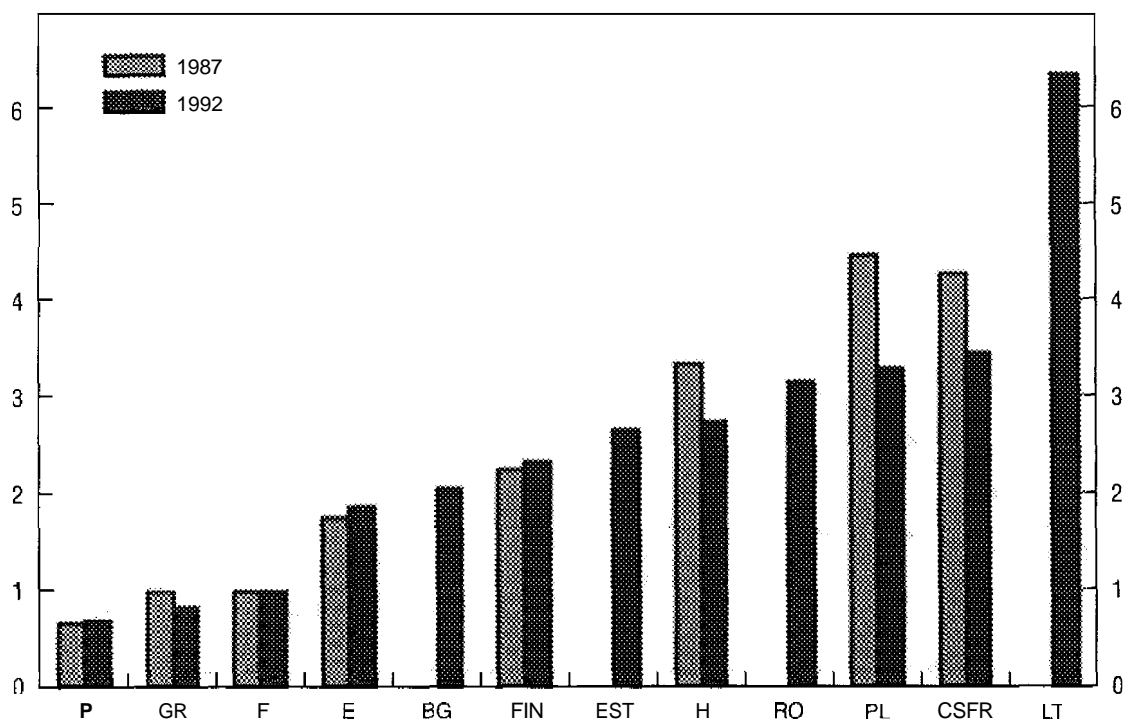
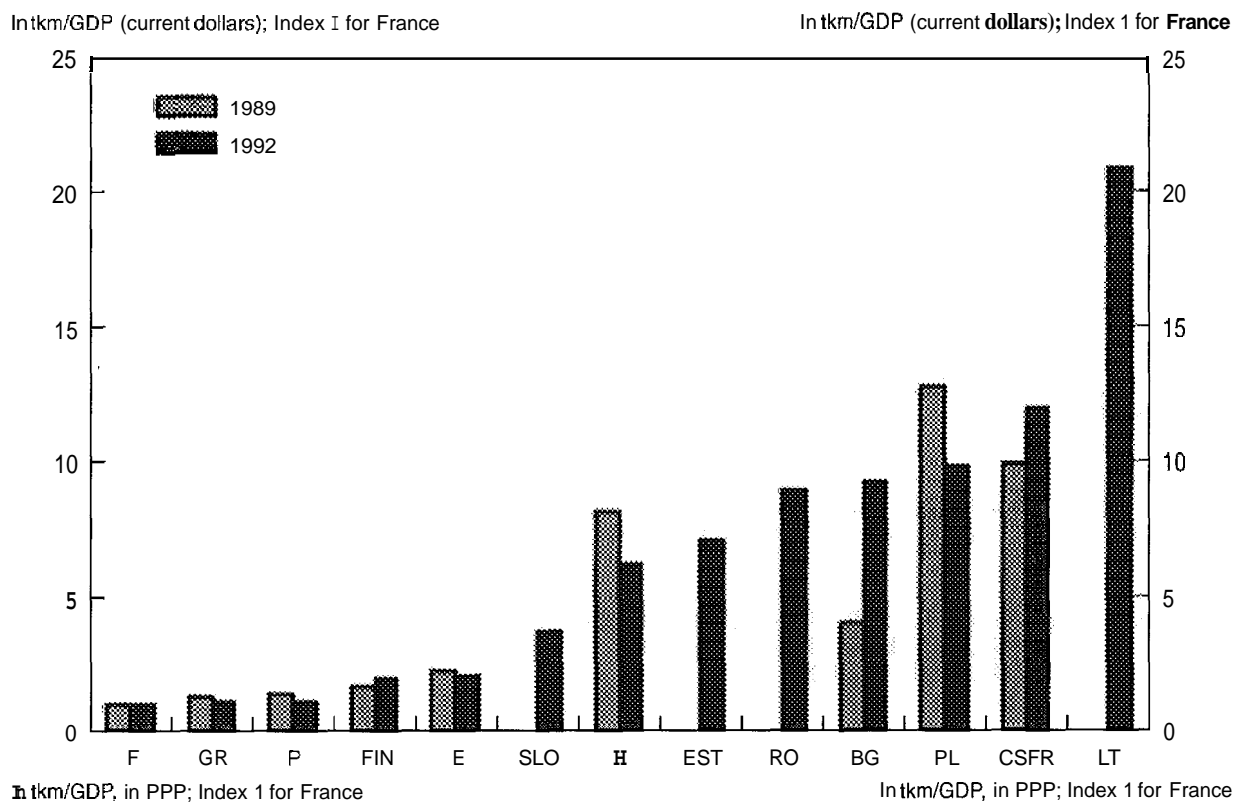
Note: Poland, CSFR: Road data: buses only.
Source: ECMT.

Figure 4. Trade flows between the CEECs and the European Union
Trends in market shares



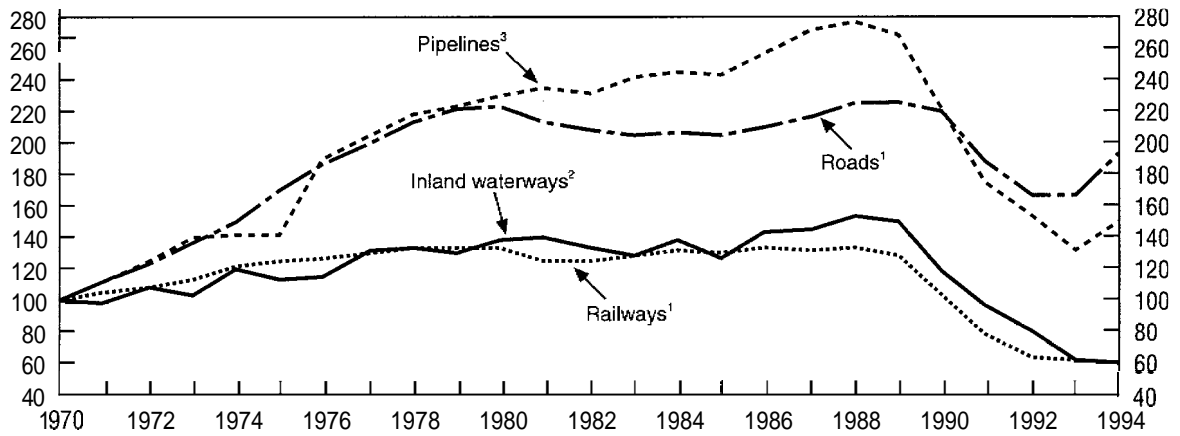
Sources: F. Lemoine and C. Leroy, *E&S* No. 260; F. Lemoine, *Le Monde* 25-10-94.

Figure 5. Freight traffic in relation to GDP



Sources: ECMT, World Bank.

**Figure 6. Freight transport trends in countries in transition
(tonne-kilometres)**
1970 = 100



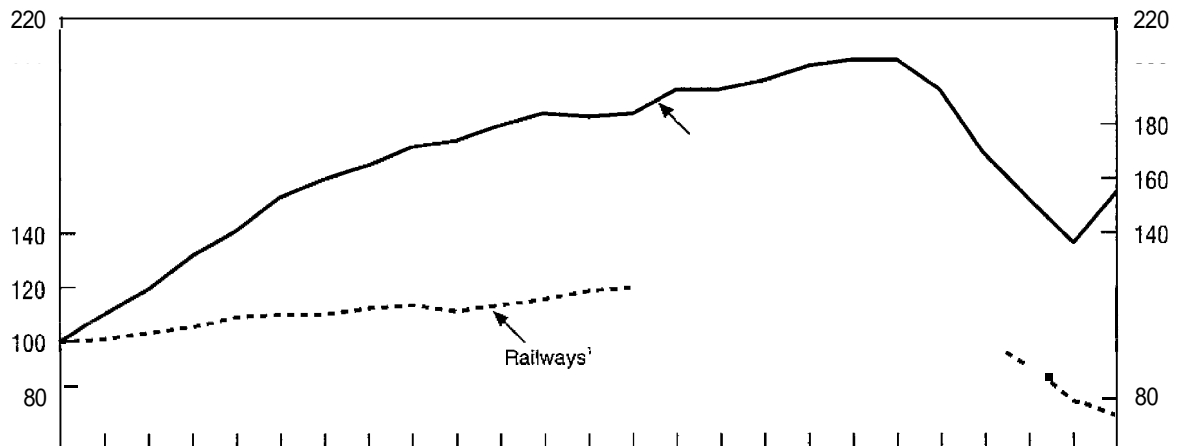
1. 11 countries: BG, CZ, EST, H, HR, LT, LV, PL, RO, SK, SLO.

2. 10 countries: BG, CZ, EST, H, HR, LT, LV, PL, RO, SK.

3. 6 countries: BG, CZ, H, HR, PL, RO.

Source: ECMT.

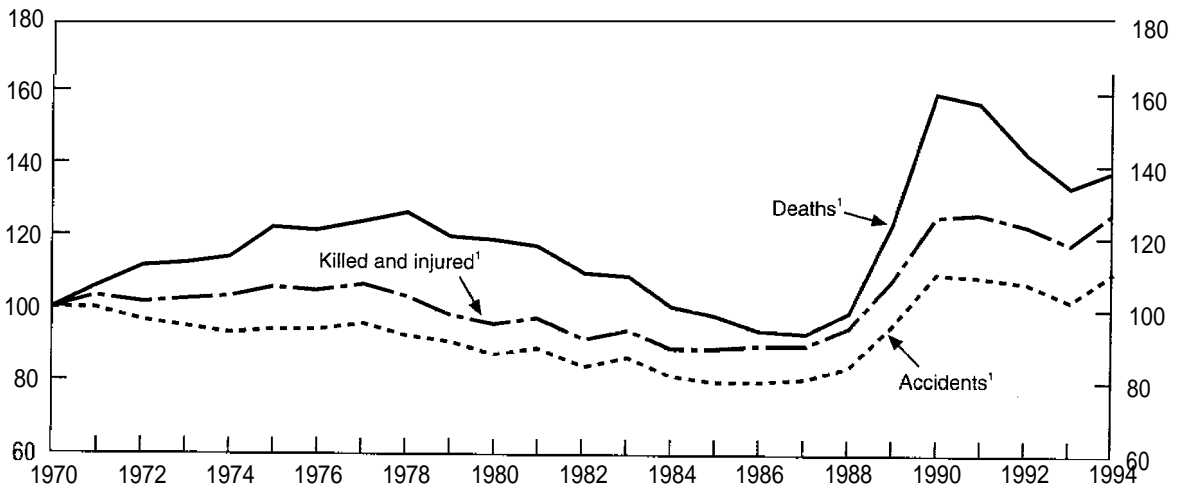
**Figure 7. Passenger transport trends in countries in transition
(passenger-kilometres)**
1970 = 100



1. 11 countries: BG, CZ, EST, H, HR, LT, LV, PL, RO, SK, SLO.

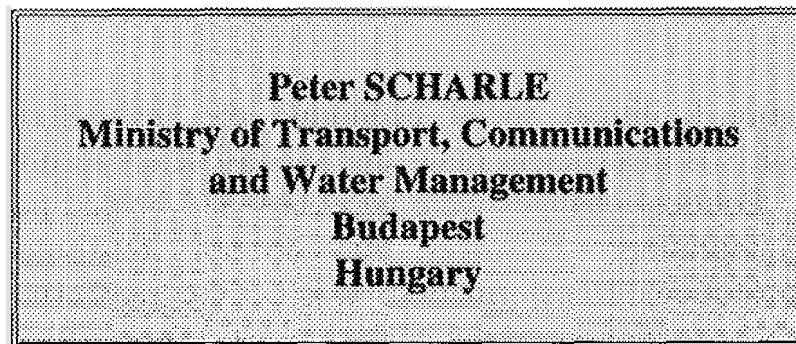
Source: ECMT.

Figure 8. Road safety trends in countries in transition
 (number)
 1970 = 100



1. 9 countries: CZ, EST, H, LT, LV, PL, RO, SK, SLO.
 Source: ECMT.

ECONOMIC AND POLICY FRAMEWORK OF INTEGRATION FOR CEE ROAD FREIGHT TRANSPORT OPERATORS



ECONOMIC ASPECTS

Experts and analysts often discuss the symptoms of social and/or economic crises in the eastern European countries without precisely defining the meaning of the “crisis” they are talking about. For example, in Hungary, the answers to several simple questions may help to clarify this concept:

Q: Is there national bankruptcy?

A: No, interest is paid, and payments are made when due.

Q: Is there a lack of convertible reserves?

A: No, US\$7 billion deposited in the National Bank of Hungary is equivalent to four to six months' import volume.

Q: Is there increasing deterioration, leading to an explosive situation?

A: No, large, stable, even developing groups and subsectors exist in industry, agriculture and trade.

Q: Is there a lack of organic linkage between operational sectors, consumption and performance?

A: Yes, for some 20 years there has been inconsistency between political, social and economic structures.

Structural pressures may be eased or may persist. A situation of chronic vacillation, coupled with imbalances and structural crisis, may exist for years.

All the countries in the CEE region are well acquainted with these symptoms, and the questions raised for this Seminar cannot be answered properly without first defining a general hypothesis about the economic background. Obviously, there exist several alternatives; I will describe only one of them.

Transformation (political, social, economic, etc. restructuring) is not the cause of the crisis. Its insufficient range and inconsistency results in stagnation and vacillation. Political changes were necessary and helped pave the way to transition and integration. However, they do not constitute proprietorial, economic and institutional transformation. It is not the transformation measures themselves but their weakness and the inefficient use of tools that perpetuate the crisis. Radical restructuring of the whole system has not yet reached a critical state.

Macroeconomic action (as well as inaction in some areas) characterise the situation (for example, step-by-step privatisation, inefficient reorganisation of state-owned properties, state expenditure exceeding incomes).

Stimulation of economic growth is often recommended as a panacea. However, this has proven to be inappropriate almost everywhere in the CEE region. Growth provides no solution as long as the old structures (including technology, ownership or national budget redistribution) survive and dissipate any surplus achieved in the efficient sectors. Experience seems to prove that no trajectory exists for the transformation from a command to a welfare economy.

Thus, the well-known solutions remain -- reduce domestic consumption, increase competitiveness. In other words, decrease the welfare/investment rate.

Several macroeconomic principles, suggested in similar cases by the World Bank, have been implemented or are now under consideration in Hungary, as well as in other countries of the region. Measures such as better pricing for public utilities with regard to cost recovery for local infrastructure expenditures, financial autonomy of public works, etc. are being taken. Governments must try to:

- increase the speed of privatisation giving greater consideration to the owners' interest in restructuring;
- improve investment conditions, favouring the investor over the consumer;

- try to accommodate to EU standards, independent of possible membership schedules;
- develop the infrastructure (with highest priority given to communication and transport).

Obviously, structural changes cannot be accomplished overnight, and certainly not merely by inspired three-year programmes. Decades are necessary to arrive at a sustainable structure (several developed countries are moving towards this long-term target, albeit from different starting points). The process is not a continuous crisis, however, and having made the critical decisions, it is now time to put them into practice. In addition, besides the need for political commitment towards reform, society has to understand and accept that it is inevitable.

Position of the freight transport industry of CEE countries in the transition period

While the previous analysis focused on Hungary -- above all to avoid offending any other countries by using certain words that did not necessarily apply to them-- it is probably true that similar difficulties exist in other countries of the CEE region. Freight transport is one of the most affected activities, obliged to adjust to unexpected and abrupt changes.

Some examples already mentioned illustrate that consequences of the following actions are multifold, and heavily influence the road transport sector:

- structural changes in production sectors;
- market changes (collapse of Comecon);
- privatisation;
- distorted and uncontrolled competition environment;
- social expenditure traditions;
- unequal rights and responsibilities,

Of course, the situation is even more complicated if one takes into account the worldwide experience of mobility demands, like the paradoxical example of Bavarian tourists on the Maltese seashore enjoying juice produced in Frankfurt by Turkish guest workers from Greek oranges. Hungary was not free from such experiences of “irrational mobility” (or, in other terms, labour distribution).

Six years ago the so-called “Gorenje syndrome” crippled some roads --thousands of Hungarian Trabants crossed the Austrian border just to buy Yugoslav freezers, returning within an hour with the appliance on the roof-rack of their cars.

The process of transition had obviously begun; it has in fact been going on for years. Market economy techniques are applied in many countries. In Hungary, for example, the dismantling of large state-owned road transport enterprises has been completed, except for Hungarocamion (presently under discussion). The well-chosen subject of this Seminar shows, however, that many crucial questions have not yet been answered.

One of the reasons (or excuses) for this is that new laws can (in fact, must) be passed, but they do not work on their own. Lack of economic and social constraints, regulations and other legitimate public institutions cannot simply be replaced by brand new regulations. Access to the taxi or forwarding market cannot be regulated by the state alone. Entrepreneurs -- and even users -- have to show restraint in fulfilling common interests.

Another fact, less obvious but which seems to be important, is that the attitudes towards costing in the former Comecon countries were imprinted for decades. Generations have grown up without a real sense of the owner’s responsibility.

The following reasons probably explain why many forwarders are heading towards bankruptcy:

- extensive loan-financed investment based on optimistic but uncontrolled market expectations;
- unexpected losses caused by decreases in market volume, share and prices;
- inability to service debt and loss of capital.

There are examples where a freight transport company in trouble, forced to elaborate a restructuring and renewal programme, does not even consider the possibility of temporary wage reduction, but simply incorporates the costs of dismissing personnel.

Freight forwarders working simultaneously in these domestic markets and in the EU environment are potential losers, often victims of the controversial demands, conditions and constraints imposed on them. For example, a haulier who has to follow European regulations (both technical and environmental)

operates in a domestic setting where he is taxed for income earned abroad. He then competes at home in a fiscal environment where he does not necessarily have the right to keep a convertible currency account (unlike his EU-affiliated partner). I am sure a long list of other difficulties will be presented in detail in other papers during this Seminar.

SOME CONCLUSIONS

Existing conditions, possible development trends and the prospective operational environment for the road transportation industry have to be embedded in (and derived from) the framework of national transportation policy. Principles and alternatives may differ from country to country but a sample (for example, the Hungarian transportation policy) can reflect most of the relevant aspects.

In principle, five development trajectories can be considered as possible scenarios for countries in the CEE region:

- a) full integration into the EU by the year 2000 or 2005 (modernisation supported by the Community; rapid market development; and a 4 to 5 per cent growth in GDP; increase of transit and domestic transport demands);
- b) peripheral state, partial interactions with the EU (restricted economic growth of 1 to 3 per cent, slow and uneven improvement of transportation infrastructure);
- c) loose regional co-operation with those left out of the EU (semi-extensive growth of 4 to 5 per cent by countries with secondary industrial structure; extension of low- and medium-standard transportation services);
- d) an anti-democratic *tour de force* with a closed command economy (state-controlled growth of selected sectors; stagnation with preferred transportation modes);
- e) environment-conscious “green” commitment (socio-economic production; sustainable public consumption at low standards; environment-friendly domestic transportation at low service levels).

With regard to realistic expectations, two of these scenarios can be excluded from the detailed analysis:

- Anti-democratic takeover with closed command economy (as in a return to the collapsed socialist system) seems to be a theoretical extremity. Principles of transport policy would be among the least important ones to worry about in the case of such a development.
- Environment-committed transportation principles are stressed, discussed and supported in many transportation policies around the world. There are a few examples, however, in which these principles are applied consistently and have been used to build up a system. Even fewer examples of broad public acceptance can be found. In any case, given the economic, social and historical conditions in the CEE region, quite some time will be needed before trying to implement such a policy.

The remaining three trajectories seem realistic enough to be taken as a basis for a national transportation policy. Almost independent of national conditions and characteristics, four strategic targets can be defined in accordance with these trajectories:

- to promote integration into the European Union;
- to promote more balanced domestic regional development for reducing regional differences;
- to protect human life, nature and the environment;
- to support a market-oriented economy by efficient services.

It is not difficult to identify these targets as outcomes of the general macroeconomic principles listed earlier. In other words, these targets must be taken as strategic directions of transportation policy. More detailed consequences and lessons have to be derived then for the road transportation sector. We are fortunate in that this Seminar is offering the possibility for collecting, considering and discussing all the issues relevant to finding the proper answers. I am sure other papers will outline them.

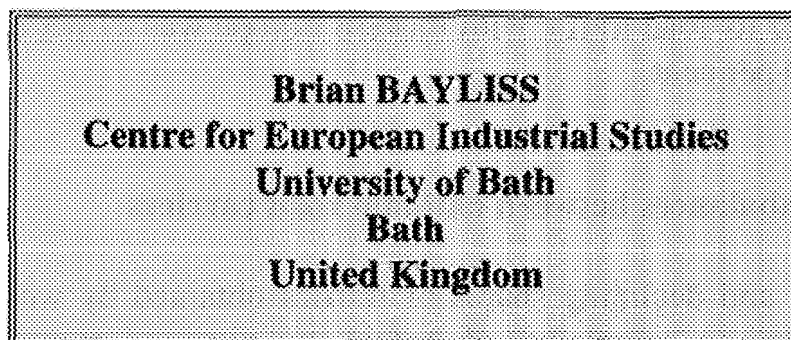
For purposes of stimulating discussion, I would propose only that we face market competition interests as directly as possible. Obviously, many euphemistic phrases exist to camouflage delicate problems. They must be handled with care, indeed. Nevertheless, it is clear that sophisticated requirements extended step-by-step to environmental, technical, fiscal and

working conditions are not simply noble demands, with which everybody would be ready to comply as soon as possible. They are also the tools of strict competition, in a very challenging and intricate market.

The title of the Seminar explicitly shows that there is a clear readiness on the part of the EU to take into account the fair and reasonable interests of CEE hauliers. Their response should then be a realistic time schedule for adaptation. Legal harmonization, provisionally asymmetric liberalisation, controlled sequential modernisation of rolling stock fleets and other measures are but a few elements of these programmes and process.

To be sure, transportation policy decision-makers badly need -- and will welcome -- the results of the Seminar's debates and conclusions. The considerations raised in this paper hopefully help to formulate them as clearly as possible.

INTEGRATION OF CENTRAL AND EASTERN EUROPEAN OPERATORS IN EUROPEAN TRANSPORT MARKETS



ECONOMIC AND POLICY FRAMEWORK

1. East/West traffics

a) Levels and growth

Although levels are low in relation to the total traffic in Western Europe, there has been substantial growth in the levels since the beginning of the decade. For a number of reasons relating to the data it cannot be said accurately what the actual changes have been; in particular this results from the reclassification of former GDR traffic as European Union traffic. As much as four-fifths of traffic from Eastern Europe into European Union countries crosses Germany.

b) Allocation between modes

German data for rail only relates to the old *Länder*, whereas data for road old and new *Länder* are combined. These data show substantial increases in road traffic and substantial falls in rail traffic.

c) Distribution between countries

Traffic between Poland and Western Europe and the former Czechoslovakia are, in each case, greater than for the other eastern European countries combined.

d) Distribution between national road carriers

The share of these traffics carried by eastern European carriers has been increasing and in some instances comprises by far the major share. In 1989, the German share of its road traffic with Eastern Europe was 27 per cent; by 1992 it had fallen to 20 per cent.

2. Traffic imbalances between national road carriers

The small and declining shares of traffics obtained by western European Operators has led to complaints of unfair and distorted competition. These imbalances stem from a whole range of causes, some of which are also features of international movements within the European Union. In part, these causes occur naturally in international markets and are not responsive to the types of measures introduced -- for example, in the creation of a Single European Market by the European Union. In other instances, **the** causes result from institutional and legal factors which can fragment and distort markets.

In some instances, operators are in a position to pursue strategies to reduce or overcome the problems created by such barriers; in other instances action will be required of governments and public bodies.

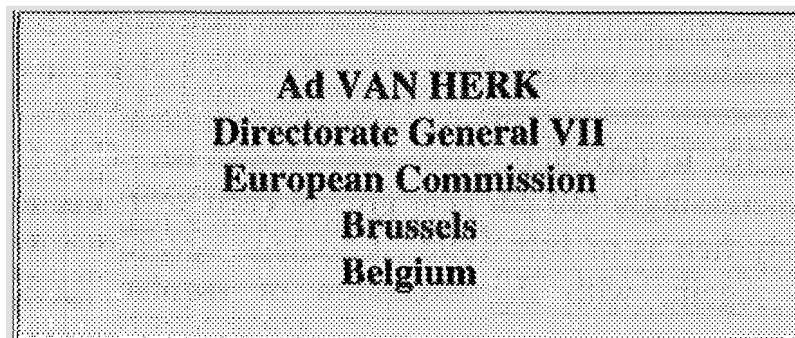
Some of the more important reasons for the imbalances in traffics secured by eastern and western European operators are:

1. An imbalance of total traffics between Eastern and Western Europe in favour of Eastern Europe. In general it is much easier for domestic operators to obtain traffics in domestic markets than foreign operators.
2. The operating costs of western European carriers are higher as a result of, for example:
 - higher wage costs;
 - vehicle maintenance requirements;
 - driver qualifications.
3. Border delays impact more heavily on western European operators because of the labour cost factor.
4. Eastern European operators do not pay for the western European infrastructure they use.

5. Currency considerations lead to eastern European shippers favouring their own operators and customer **pick-up**.
6. State conglomerates still exist in Eastern Europe and these can dominate commercial relationships with shippers; they can also practise pricing policies unrelated to cost structures and market principles.
7. Lack of driver facilities in Eastern Europe, security considerations and discriminatory charges can act against western European operators.

II. Regulatory Framework for Transport in Europe

ACCESS TO THE MARKET AND PROFESSION OF OPERATOR IN THE TRANSPORT BY ROAD OF GOODS AND PASSENGERS



The European Union as it is today is a fascinating happening. It has 15 Member States, all with more or less different cultures and ways of doing things, whose economies are all at different levels of development.

One of the most important articles in the Treaty of Rome, which established the European Communities, is Article 6, which forbids any discrimination because of nationality. The Treaty also contains chapters on the free movement of capital, services and persons, as well as a chapter dedicated to transport between Member States. Transport -- including cabotage -- must be possible without any hindrance.

Transport --especially road transport, at this moment in time-- is of immense importance, as it carries the main burden in the chain of logistic systems which are so important to European industrial competitiveness on a global scale.

Given the importance of an efficient transport sector to the economy, the necessary measures must be taken to prevent operations which endanger the sector itself in terms of distortion of competition. But measures must also be taken to safeguard the general public and the environment against possible negative consequences of unrestrained transport systems.

It is for these reasons that the profession of road transport operator is one that a person cannot enter merely because it pleases him or her to do so. A licence is needed, which can be obtained only if certain criteria are met.

Access to the market of international transport of goods and passengers by road is now fully liberalised. Goods can be carried within the European Union without any special authorisation being required. Transport of passengers can also be done without special authorisation, but only for regular transport and shuttle services without accommodation. The fact that regular services are still subject to authorisations is not illogical, since there is a close link with national public transport systems and policies and the desire to make sure that bus/coach services are available to travellers when they should be. Cabotage operations with goods are increasingly (30 per cent growth each year) becoming free, and will be completely free as of July 1998. Cabotage operations with passengers will be free -- again, with the exception of regular services -- as of 1 January 1996.

In 1993, the Commissioner for Transport of the European Commission asked a Committee of "wise men" to investigate the economic and social situation in road freight transport and its likely future developments. Professor Bayliss was Co-Chairman of that Committee, together with Robert Coleman, Director-General of DG-VII, on whose behalf I am attending this Seminar.

The main conclusions of the "wise men" are as follows: There are some problems, but there is no general crisis. Despite the economic recession, road haulage prices have been more stable than industrial prices in general, and there is no evidence of undue instability in terms of excess capacity and bankruptcy levels. Consequently:

- liberalisation must be maintained; and
- the biggest problem is that the existing rules are quite often not followed and/or enforced.

The Committee considers that the removal of quantitative barriers to entry and price controls is fundamental to the efficient operation of the road haulage sector, and consequently to the competitive position of Union industry in general. It is considered fundamental that harmonization of operating conditions across the Union be achieved. The Commission fully subscribes to this.

As I said before, road transport is not a profession which everyone can go into. Because of the importance in economic, social and traffic safety terms, it is deemed necessary that transport operators have a certain level of professional competence and are of good repute and financial standing -- and Union legislation exists for this purpose. The Committee of wise men has advised the European Commission to set the criteria for financial standing and professional

competence at a higher level. We are presently examining that issue and hope to come up with a proposal later this year. In our view, the most important element is that of professional competence-- it must be set at a level which meets the requirements of the transport industry and, most importantly, must be uniform in all the Member States. It cannot be possible to obtain a diploma in one country in, say, three weeks and then compete with an operator from a country where six months of study are necessary. That is even more important because diplomas are mutually recognised, so that an Englishman with an English diploma can go to France to set up a company there, or a Dutchman can obtain a diploma in the United Kingdom and return home to set up a company in the Netherlands.

The level of required financial standing will probably be increased; in that case, we might have to make a distinction between companies that want to start operating and those already in business.

Enforcement

Enforcement of the existing rules is of utmost importance to ensure that competition is not distorted by unlawful practices. Within the EU system, however, enforcement is a matter of subsidiarity; in other words, it must be done where it can be done best, and that is on a national level.

What the Union can do is to stimulate technical developments with respect to, for example, on-board computers, and the harmonized introduction of such equipment in all Member States. Attention will also have to be given to improved co-operation between the various enforcement agencies.

Unwanted developments

In a number of Member States we see developments in the profession with which we are not very happy. For example, established road hauliers are making the prospect of quitting and starting a company of their own attractive to their drivers. They do so by offering them a truck against a cheap lease rate, with a contract to do transport for, say, one year. At first glance that looks good, but what happens if, after that first year, the contract cannot be extended on the same terms? In that case the new operator must agree to a lower price for his services, and in order to survive must aggressively look for other business elsewhere. He will have to spend longer hours on the road, thereby violating the rules, endangering safety and distorting the competition in the market.

It is not up to governments to deal with this; it goes beyond their abilities. It is the operators themselves who must act. Furthermore, I have never understood why there is not more co-operation. So much can be gained by doing things together (buying insurance, fuel, tyres, covering the market) without encroaching on each other's independence or violating the rules on cartels.

Technical harmonization

For international transport, technological harmonization has almost been completed. Work is now also being done to harmonize the standards on weights and dimensions for national transport. The same needs to be done to be consistent with the ideas behind the Single European Market -- e.g. cabotage can only function properly when vehicles can circulate freely.

For the protection of the environment it is not only type approval that is important. Even more important is for the maintenance of vehicles to be improved. Action must be taken in that field -- perhaps something can be done in WP29 of the ECE. Initiatives in this respect would be in line with the philosophy of the Vienna Convention, which puts emphasis on the **use** rather than on the **standards** of construction.

Social harmonization

As you know, the European Union has legislation on driving and rest hours, which goes beyond the conditions of the **AETR** Agreement. We are studying the possibility of changing "driving times" to "working times", as it is obvious that a driver of a truck or coach not only has to drive but has to prepare his vehicle, load, unload, wait and keep it clean.

In addition, the Union has legislation on the hiring of vehicles for the carriage of goods in international transport for hire or reward. For a number of reasons, these directives were not complete and therefore the European Commission has recently sent a proposal to the European Parliament, and asked for advice from the Economic and Social Council. It is proposed by the Commission to include international transport for one's own account with vehicles over 6 tonnes, and to make it possible that vehicles can be hired in a Member State other than the one in which the operator is established, thus

creating more flexibility for the operators. At present, no such legislation exists for passenger transport, but I have no doubt that it will be forthcoming in the years ahead.

Let me finish by saying briefly where all this action is leading.

Because of liberalisation, the number of road transport operators has increased considerably, not only in international transport, but also in national transport -- in fact, more so in the latter, since most of the operators do only national transport.

The increasing number of operators and the economic recession have led to a fall in prices, putting the transport sector in a difficult position. Nevertheless, in 1992/93, small and medium sized companies did better (in investments) than the bigger ones. Now that the recession has (almost) ended, we are hearing that the bigger companies are gaining speed again.

Since there is an obvious link between the development of the GNP and the quantity of goods to be transported, it is clear that a revitalised economy will bring with it more demand for transport -- especially road transport -- and thus will have positive influences on the well-being of this sector of activity.

Thus, although there have been and still are some problems, we will not abandon liberalisation, we will not return to border controls within the Union, we will not return to quantitative restrictions and we will have to keep on working on a full and complete up-to-date Union transport policy and see what we can do to ensure that transport companies receive what is due to them. In this respect, I would like to refer to a recent Dutch report on the road haulage sector, which said that not **cost** but **income** is the decisive factor for the rate of success of a transport company. Even with somewhat higher unit costs, successful companies obtain better results. The **key** is to have good management, to minimise empty driving and to make quick stops with minimum delays.

You will have observed that I have said nothing about the possibilities for eastern European operators on western markets. This is being dealt with by Mr. Dinos Stasinopoulos in Section 4, "Ways Forward".

REGULATORY FRAMEWORK FOR ROAD TRANSPORT IN THE CZECH REPUBLIC

Jaroslav OPLETAL
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Due to the essential political changes in our country since 1989, the whole legislative framework has been amended and adapted to the new political and economic situation. This applies to the branch of transport, in particular road transport. Indeed, it was the prompt amendment of the Law on Road Transport and Internal Forwarding then in effect -- intended mainly to allow private enterprise and private property in road transport -- which has created the basic precondition for the very rapid development of the private sector in this branch of transport in recent years.

The basic regulatory framework for road transport was recently completed with the passing of two new laws by Parliament: the Law on Road Transport (1994) and the Law on the Technical Conditions for Operation of Road Vehicles on Roads (1995).

The **Law on Road Transport (1994)** establishes conditions for road transport operators and the rights and duties of legal and natural persons connected with road transport. It also defines the competence and activity of state authorities in this field.

To engage in the activity of road transport operation, it is necessary to be solid, meet the requirements for professional competence; and have either a trade licence issued by a trade authority if the road transport operation in question is considered as a trade (which is the case for the overwhelming majority of road transport operations for hire or remuneration) or an authorisation issued by a transport authority.

The applicant for the occupation of road operator need not satisfy the requirements of solidity and professional competence if he designates another person who satisfies these requirements to be responsible for him.

This requirement applies generally to all road transport operators. The law specifies the cases when this requirement is considered unsatisfied, namely:

- if the applicant for the occupation of road transport operator performed the activity of road transport operation in the three years preceding the date of submitting the application without licence or authorisation;
- if, in the three years preceding the date of application the trade licence or authorisation for road transport operation was withdrawn from the applicant because he had not complied with his obligations specified in the road transport operation regulations or because he had not observed the conditions stipulated in the trade licence or authorisation.

For road transport operations subject to the Trade Law, there are other conditions which must be fulfilled according to the provisions of this law, including the requirement that the road transport operator applicant demonstrates personal integrity. According to the provisions of this law, the applicant does not satisfy this requirement if he was convicted of an offence connected with the subject of undertaking, or another offence committed intentionally if there is fear that he could commit the same or a similar offence by carrying out the trade.

Where the applicant is a legal entity, this requirement must be met by its responsible representative.

In accordance with the corresponding provisions of the Law on Road Transport, the requirements for professional competence apply only to regular public bus services, international bus transportation and international transport of goods.

The applicant must prove his professional competence by providing a document certifying that he has successfully passed the examinations in the subjects listed in the procedural decree. Professional competence in those subjects may also be proved by a state certificate or a school-leaving examination in the concerned field provided that the instruction provides the knowledge required for professional competence.

Neither the Law on Road Transport nor the Trade Law embody any requirements for appropriate financial standing, in order to create the most

favourable conditions for rapid development of the private sector in the road transport field, and to avoid placing any administrative obstacles to it. In accordance with the principles of liberal politics, it is left to the applicant to judge if the financial means (and capital resources) at his disposal are sufficient.

In the general section of the Law on Road Transport, some fundamental conditions for road transport operation are stipulated, including the duty of road transport operator to ensure that the state of his technical base and equipment is adequate to successfully perform the road transport services required.

Another section of this law deals with special provisions for transport of passengers. It includes in particular provisions for licensing of regular public bus services. What is quite new in this field is the term “obligation of public service”, which means business, transport and tariff obligations for the benefit of the state or a region that the road transport operator would not, on his own, take on at all or only partially. He then, naturally, has the right to adequate financial compensation.

A separate section of this law deals with transport of dangerous goods. It specifies the main duties of the consignor, transport operator and vehicle crews engaged in the transport of these goods and refers to the provisions of the European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR) for national transport of dangerous goods in the Czech Republic.

The special provisions of the law concerning international road transport are in principle in line with the corresponding aspects of bilateral agreements on international road transport that are applicable to road transport between the Czech Republic and other European countries.

The penultimate section of this law deals with controls related to compliance of its provisions, specifying the competent authorities to carry out these controls and the corresponding sanctions and penalties for breaches of valid provisions of the law.

The last section comprises some transitional regulations, including among others, the article stipulating that the transport operator carrying out regular public bus services, international bus transportation or international transport of goods is obliged, in the three years following the entrance of this law into effect, to submit to the relevant trade office a certificate of professional competence. If he fails to do so in time his trade licence ceases to be valid at the end of this period.

The **Law on the Technical Conditions for Operation of Road Vehicles** sets out the conditions for approval of new road vehicles and technical inspections of road vehicles already in service. It stipulates, among other things, that all road vehicles registered in the Czech Republic must be subject to technical inspections at fixed intervals to check the technical condition of vehicles and to measure the quantity of harmful exhaust emissions. The intervals for these technical inspections vary according to the type of road vehicle. For example, the maximum interval for buses or for lorries with permissible total weight exceeding 3 500 kilogrammes is one year but for buses used for international road transport of passengers, it is only six months.

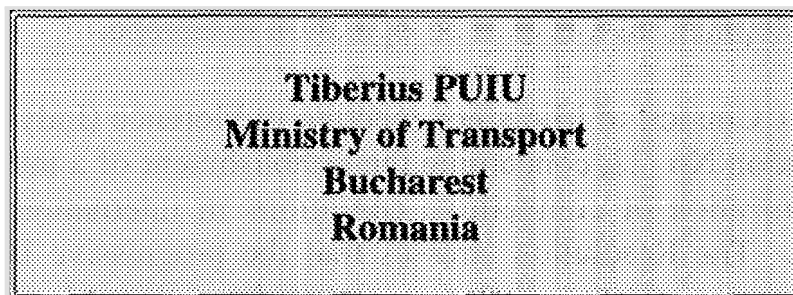
As far as the detailed technical requirements for road vehicles are concerned, they will be specified in a procedural decree, which is presently being prepared and which should probably enter into effect in mid-1995. It can be expected that these requirements will be at the level corresponding to the provisions of the latest recommendations of UN-ECE applicable to road vehicles.

Finally, the social provisions applying to road transport should be noted, namely those concerning the work of vehicle crews engaged in road transport. For national road transport in the Czech Republic, the Decree on the Safety of Work and Technical Equipment by Operation, Maintenance and Repairs of Vehicles, issued by Czech Board for Work Safety, is applicable. Its provisions are rather different from those of the AETR Agreement valid for international road transport.

There are a number of small differences between the two regulations, notably as concerns driving and **rest** periods during the carriage. However, the most important difference is probably that the above-mentioned decree does not contain any provisions concerning daily and weekly rest periods nor any provisions forbidding remuneration of drivers of road vehicles based on the distance worked or the quantity of goods carried, in cases where road safety would be jeopardised.

It is obvious that the regulatory framework for road transport in the Czech Republic is not, for the time being, comparable with the corresponding prescriptions of the European Union presently in effect. It will be necessary to amend it accordingly, step-by-step, in the process of preparation for adhesion to European Union.

REGULATORY FRAMEWORK FOR TRANSPORT IN EUROPE



We in Central and Eastern Europe have lived for many years longing for the ideas you in the West have stressed -- and the free movement of ideas, goods and persons are among the most important. **And** now, when it seems that there are no more obstacles to such free movement, it has become clear that it is not so easy. The aim is still mentioned in political documents, but a steady campaign is being waged to avoid the access of transport operators from CEE countries to the Western market.

Transport is, in my opinion, a basic precondition for a market economy. Without the mobility of goods and persons a real market cannot work. At the same time, transport provides the main opportunity for the CEE countries to integrate themselves in Europe.

It is particularly satisfying for me to have the opportunity to speak on issues related to the regulatory framework for transport in Europe. **As** many of you know, I worked in the ECMT Secretariat for eight months in 1994, and my principal task was the integration of CEE countries operators into European transport markets.

It was not an easy task, and maybe the difficulties came from both sides. On the one hand, perhaps I was too eager to make progress on this issue, which is so important for the CEE countries. On the other hand, partners from Western Europe were cautious in their negotiations, understanding that the access of transport operators for CEE countries to the international market will introduce significant changes to this market.

Access to the international transport market is, in my opinion, the most important condition for economic integration, which in turn is the guarantee for political stability in Europe.

It is worth mentioning the role that ECMT has had in the liberalisation of road transport in Europe, and it is a pleasure to see that today, in proposing such a theme for discussion and analysis, ECMT is continuing to play a major role in the further development of transport co-operation in Europe.

The ECMT Council of Ministers, meeting in Florence (Italy) in June 1970, adopted Resolution No. 22, concerning the establishment of a multilateral quota and the harmonization of competitive conditions in international transport of goods by road. The Resolution stresses that the progressive liberalisation of road transport -- a priority action -- must be achieved along with the harmonization of terms of competition. With this aim in mind, a first experimental stage was agreed on and at that time the establishment of a multilateral quota seemed to provide the best answer to the problem. The Resolution also mentioned the differences among ECMT members regarding competitive conditions between road hauliers -- differences in taxation and social measures as well as technical differences.

Other steps were taken, in the framework of the European Union, towards the liberalisation and creation of a free market in the transport sector with no quantitative restrictions, as well as the progressive elimination of distortions of competition. The Council's Regulation No. 881/92 deals with access to the market in the carriage of goods by road within the EU to or from the territory of one or more Member States.

According to that Regulation, international carriage will be carried out subject to EU authorisation, which will be issued by the competent authorities of the Member State to any haulier carrying goods by road for hire or payment. The haulier must be established in a Member State, in accordance with the legislation of that Member State, and must be entitled in that Member State, in accordance with the legislation of the EU and the State, concerning admission to the occupation of road haulage operators to *carry* out the international carriage of goods by road. At the same time, the regulation establishes the types of carriages to be exempted from any EU authorisation and from any carriage authorisation.

Other EU regulations refer to cabotage (3118/93) and hired vehicles (84/647 and 90/398).

Regarding passenger transport (by coach and bus), ECMT has worked out the Agreement on Occasional Passenger Services (ASOR). This agreement is still in force for Turkey and Switzerland, but new members cannot adhere to it.

In the **framework** of the EU, the following regulations were adopted: 684/92 concerning international operations by coach and bus; 1839/92 and 2944/93 concerning documents for international operations; 2454/94 concerning cabotage for passengers.

The EU regulations define the types of passenger transport, indicating which types require authorisation. **At** the same time, the regulation indicates what kind of documents are required to prove the type of transport being carried out. Different rules were issued concerning taxation of vehicles as well as taxes for the use of certain infrastructures. Regarding weight and dimensions, ECMT and the **EU** adopted certain regulations, but the norms still differ from country to country.

There is **also** well-defined social legislation concerning the work conditions of the drivers, including the AETR agreement, agreed in the framework of ECE/UN. In addition, other agreements, concerning for **example** the **temporary** import **of** vehicles **and** spare parts, were drawn up at ECE/UN. The political and economic changes in the **CEE** countries, and the trade between these countries and other European countries, made it necessary **to** reconsider the conditions of transport, especially road transport.

Consequently, in the framework of the ECE/UN, and then in ECMT, the idea of **a** multilateral agreement concerning road transport **was** introduced. **In** addition, the European Commission tried to get a mandate to negotiate an agreement between the EU and other countries concerning road transport. **Such** a mandate has not yet been approved, but exploratory talks have been held with **Bulgaria, Hungary and** Romania, and, at a meeting in **Brussels** on **17** January 1995, it was decided to **report** to the **EU** Council of Ministers that the transit issues must be approached together with access to the market, taking into account the approximation of the legislation of other countries with EU legislation.

Similarly, the idea of a general agreement concerning inland navigation has not so far been successful.

The only success, albeit partial, was obtained by the ECMT at its Council of Ministers in Annecy (May 1994), where a consolidated Resolution **was** adopted concerning the transport of goods by road. At the same time, the adoption of a Resolution on road passenger transport was considered, along with issues of technical and legislative harmonization.

It should also be mentioned that the EU has signed Association Agreements with the Czech Republic, the Slovak Republic, Poland, Hungary, Romania and Bulgaria. The EU has also concluded co-operation agreements with Slovenia, Lithuania, Latvia, Estonia, Ukraine and the Russian Federation.

Such agreements provide for:

- reciprocity;
- transparency; and
- asymmetry (Associated Member countries benefit from a longer period for the implementation of reciprocal concessions than EU countries).

According to the agreements, where an enterprise establishes its headquarters in the territory of another Contracting Party, it will enjoy treatment which is not inferior to the local enterprises. The reciprocity, in the case of tenders for public contracts, will be granted no later than at the end of the transition period.

It must be generally agreed that all the countries will strive in favour of sound competition and against any limitation and distortion of the competition, against any abuse based on a dominant position on the market, and against public subsidies.

Even in the EU countries some differences still remain in the approach to competition. Which standards will apply in relation to the CEE countries?

In addition, it should be noted that transport relations by road, air, inland navigation and sea are ruled by bilateral agreements. Quite often such bilateral agreements cannot be fully exercised, because of the influence of transit countries.

I think it is a pity that better use **has** not been made of the Integration Group of ECMT as a forum for multilateral negotiation between the European Commission and other countries. A better co-ordination of bilateral and multilateral relations is needed.

In the transition to a market economy, the CEE countries are facing many obstacles which, along with their limited competitiveness, makes their access to the market more difficult. Some of the major problems include:

- in many cases, the trade between **CEE** and Western countries consists mainly of imports of western consumer goods, which does not constitute a uniform flow of goods;
- through the privatisation of transport, many enterprises became smaller, thus diminishing their competitiveness;
- very often, access is also limited by difficulties in obtaining visas (this is true for most of the **CEE** countries);
- the technical level of transport is unsatisfactory from an operational point of view as well as from the viewpoint of safety and pollution standards;
- the transport sector is facing huge problems regarding salaries (workers asking for higher salaries), which is a sensitive element in the economy.

The multilateral quota is an area in which **CEE** countries are at a disadvantage. The quota was fixed taking into account trade, traffic and transit figures, and including the relations within **EU** or in European Economic Areas which no longer need permits. Thus, the Western countries benefit from a disproportionate number of permits. These same countries did not agree in 1994 to an increase, even minimal, of the quota of the CEE countries. In my opinion, if this issue remains unsolved, the possibility of a crisis in transport relations in Europe will persist.

Different states approach the problem of transport infrastructure in different ways. Generally, the state, as a unique provider of the infrastructure, puts at the disposal of the user roads, railways and inland waterways in exchange for taxes, contributions and fees. In this way, the state has a direct influence on the cost and quality of transport services. The level of taxes and fees differs from country to country. In addition, fuel taxation is different in each country, covering more or less the expenses for infrastructure maintenance and development. The funds obtained through taxation and fees are not always allocated in relation to infrastructure needs.

We all have heard the discussions about which mode of transport fully covers its costs. This question has still not been resolved, and the approaches vary from country to country.

The trends in EU and Western countries do not apply in the same degree to the CEE countries. For example, it seems to me that the traffic of vehicles from CEE countries through the territories of the EU and Western countries is insignificant. Therefore, the pollution standards should not be applied as strictly to them. Also, it must be kept in mind that pollution standards can create

discrimination against such vehicles and lead to a supplementary burden for the concerned countries, who are obliged to buy modern technology from the West, thus increasing their indebtedness.

Railway activity is less adapted for competition. Until now it has enjoyed a privileged position in the transport market, and railways are less eager to obey competition laws. Generally, the railway administration asks for state protection. (Combined transport is a chance for the railways to gain some clients, but they are doing little to attract them.)

The separation of infrastructure and operation has been generally adopted in the CEE countries. All railways are heavily subsidised and one might hope for some changes.

International co-operation of railways administrations is not oriented to finding solutions for attracting transit. State borders are often also borders for co-operation. The fight for survival is limited to slogans based on the less polluting character of railways. But the costs remain high.

The CEE countries have a special organisation, the Organisation for Collaboration of Railways, with few practical results. The commercial approach is still not sufficiently present in railway activity. Everywhere, railways are losing clients, but they still remain confident of state support.

During the socialist period, the state intervened in favour of railways, and it will be forced to continue to do so, taking into account the social problems which can be created by the railway sector. But, in the near future, public opinion will demand to review what is being paid for railways, and changes will **be** unavoidable.

State subsidies, not only in railways but in every form of transport, shield the enterprises from market discipline, delay restructuring of transport activities and of involved companies, and are punishing the most efficient carriers. State subsidies are too often political.

It is possible to minimise state intervention in transport activity by strengthening the role of the market. A closed market can maximise the effect of subsidies and falsely convince the governments that the money introduced in inefficient companies can bring profits.

Waterborne transport is in many regards in the same situation as road transport, as regards the working out of a new legal framework, competitiveness

and difficulties in integration in the European transport market. Here, even more than in road transport, accusations against CEE countries for dumping transport prices, heavily subsidised transport activities are still being made, although the situation is different than it was before 1989.

Regarding aviation, the CEE countries try to keep the management of national companies in their own hands, although some such companies have entered different joint ventures with foreign companies. The low degree of competitiveness of national companies leads to subsidised activity. The example of the unresolved problems between western airlines has not yet convinced CEE transport authorities that the market mechanism and competition are the answer to efficient management.

Combined transport is a chance for the improvement of the share of railways in the transport process. Unfortunately, expensive technical means are needed for developing such a transport mode. Perhaps better co-operation between Western and Eastern countries can contribute to finding a solution.

In the above-mentioned sectors, the legal frameworks need to be worked out, bearing in mind the necessity of adapting them, at a reasonable pace, to international market conditions.

For those of us in the CEE countries, it is not easy to accept new slogans to replace the old ones, and sustainable transport seems to be such a slogan. It is proposed that administrative measures be taken by more “clever” people to influence the development of different transport modes. We abandoned such “administrative” management and are trying to adopt a mechanism based on feedback and regulation of the market. It is difficult for us to go back to an administrative approach.

The CEE countries are supposed to develop their own transit policy, as a pillar of their integration into Europe. It is obvious that such a policy must be “translated” into proper legislation.

Each of the CEE countries has adopted programmes for working out legislation which corresponds to market economy conditions. In my opinion, the proposals for laws often do not leave enough space for competition; instead they aim to regulate every action. Besides the fact that competition will not function, too much regulation opens the door for corruption and political manipulation.

The legal framework to be created in CEE countries consists of provisions concerning:

- the financial capacity of transport operators;
- the professional ability of transport operators;
- moral guarantees of transport operators, which lead to the issuing of a transport licence.

The access to the profession must be regulated, and a periodic check of the fulfilment of the above-mentioned conditions must be provided for. The legal framework must define the transport operators' obligations - from the social and technical point of view as well as concerning the tasks to be carried out.

Cases in which the demand for a licence can be rejected must be defined, as well as the measures to be taken when infringements are committed regarding market access, driving and rest periods, technical state and the endowment of vehicles, driving licence rules, road safety and public order.

Legislation must define the notion and the conditions of public transport services, as well as the place of the institutions in regulating the transport process.

People sometimes forget that instead of a central planning body, from now on it is the market that will decide if a company is successful or necessary.

A stiff approach from Western countries on the question of access to the market can intensify the tendencies to over-regulate the domestic market.

In my opinion, the CEE countries lack sufficient political and administrative personnel experienced in a market economy, mature structures to mediate and consolidate interests and appropriate social, legal and constitutional framework. It is important to build public servant ethics, a neutral professional public service.

The OECD, CCET and SIGMA programmes can help CEE countries to gradually solve the above-mentioned problems, creating a positive legal and administrative environment for the emergence of private economy activity.

Increasingly, political life in CEE countries is concentrating on economic issues. International transport is the most important means for achieving benefits in trade and goods production in CEE countries.

This makes the issue of access to the market an even more sensitive issue.

In the complex political situation of the countries in transition, the difficulties in access to the international transport market are only strengthening the internal monopoly of some enterprises enjoying dominant positions, and in the end is **an** obstacle to free competition. It would be beneficial for CEE countries, as well as for other countries, if access to the market were easier. It should be mentioned that limited access (for example, a limited number of transport permits) creates opportunities for corruption which the civil society from these countries is not yet able to efficiently combat. Access to the international market can become a privilege, granted in exchange for bribes or for political reasons, distorting the real sense of competition. Limited access discourages the small enterprises and, at the present time, the only large enterprises are the state enterprises. This is another danger for distortion of competition.

There is a tendency on the part of some businessmen from CEE countries (just as in Western European countries) to avoid competition and try to dominate the market. It is in everybody's interest to stimulate sound competition, which will promote real values and create a good moral climate.

Free competition between the transport enterprises from the East and West is difficult to imagine, taking into account the different degrees of development and operating conditions as well as the position on the market of the different transport modes. It seems to me that asymmetry must be applied here, allowing the transport operators from CEE countries to adapt themselves to the international transport market.

Another very important issue is the state's role in regulating the competition between different transport modes. Sometimes the state justifies its interventions in subsidising one transport mode or another, by citing security or defence reasons. Such justifications and such an approach do not take into account the cost of infrastructure maintenance and development.

Often, the state remains the "good uncle", taking care of the things that are not working, in a socialist, paternalist approach, while the user must pay for the transport infrastructure. It is true that even in Western countries this principle is not applied to the same degree, but without a common understanding of this issue it will be difficult to reach a real approximation of competition conditions.

Keeping in mind the different international organisations working in the transport field, a better coordination and sharing of tasks must be organised. All

existing organisations, both governmental and non-governmental, can play a positive role in promoting international transport for the benefit of all countries.

ECMT is to be commended for launching the discussions on such a difficult issue. I hope that our organisation can cope with the task of organising the process of regulating access to the market, as well as, according to its basic documents, of co-ordinating the activities in different international organisations.

Perhaps it is worth mentioning that for the years 1993-1995, the ECMT considers the integration of CEE countries a priority. This Seminar, as well as the work of the Integration Group, is bringing new hopes that integration will remain an important issue on ECMT's agenda, to the benefit of all its Member States.

I have presented here only some of the ideas about the general regulatory framework in Europe. It is a subject that is difficult to exhaust.

***III. Identification of Barriers and Limitations
for Operators from CEE Countries***

BARRIERS AND LIMITATIONS FOR OPERATORS FROM CEE COUNTRIES

**Algis JOKSTYS
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I. INTRODUCTION

“Presto Ltd.” is a private company founded in 1990. Its main activities are import/export, international freight forwarding and consultancy. The company employs 23 people who deal daily with imports and exports of goods and, as a consequence, with transport problems.

My personal experience in international freight forwarding, especially East-West operations in the European sense, dates back to 1982. This paper will therefore be based on the present routine experience of the Managing Director of “Presto Ltd.”, at the same time trying to find a link to more general issues, unique to all operators from the Baltic States (Lithuania, Latvia and Estonia).

2. OVERVIEW OF THE BARRIERS AND LIMITATIONS

Since the Seminar is being held to facilitate the access of CEE countries to the EU transport markets, I will present the “internal” point of view, without any statistical economic analysis, just for purposes of informing the participants about some of the operators’ ideas. That is why I would like to say in advance that the majority of the barriers and limitations which are troublesome to the operators from Baltic states can be found inside these states. Trying to stick to the ECMT outline, the barriers and limitations will also be separated into foreign, EU and domestic ones.

1. Legal and administrative barriers

In fact, there are not many inconveniences for operators caused by foreign legal and administrative limitations.

One could, however, mention as the major problem immigration rules which are applicable to truck drivers. The truck drivers are required to have visas without any privileges. This means, for example, that a Lithuanian driver with an annual German visa who faces a loading cancellation in Hamburg is not allowed to go to Amsterdam to pick up the shipment of goods. This often happens when, for example, a reefer ship with bananas from Central America is diverted to Amsterdam and the trucks are crowding in to split the fresh lot into smaller parcels and carry them to Eastern Europe. The trucking companies in the Baltic States experience relatively great difficulties printing heaps of papers and sending the drivers' passports from one European country embassy to another, often waiting weeks for the passports to be granted the necessary stamps.

A big relief for the operators from CEE countries could be special visas for the truck drivers when they are performing their job, allowing access to all European countries, similar to the special international seamen's passports, which enable crew members to enter any country when on duty.

Some barriers originating from labour rules result in administrative restrictions as, for example, rules of most European countries on driving/rest regimes for truck drivers and minimum manning convention in seamanship. The latter are mentioned in a positive sense because they protect from inhumane working conditions while going after profits. Sooner or later they should be applied to Lithuania and other CEE countries.

Unfortunately, our domestic legal and administrative barriers are much more severe than foreign ones, This is, first of all, due to local customs regulations and their practical implementation. Operators lose days, not just hours, crossing the border with goods because customs clearance procedures in all the Baltic states are very complicated and require too much time. In addition, discussion about a single customs area in the Baltic states have been going on since 1991, but without practical results. **So**, a truck on its way from Estonia to Germany has to lose hours and hours at four different borders, the worst of them being the Estonian/Latvian, Latvian/Lithuanian and Lithuanian/Polish borders.

Consequently, due to the excessive bureaucracy, corruption is flourishing; this is fertile soil for criminality. The level of criminality today in all Baltic states causes the services of transport operators from Baltic states to be rejected by the West.

2 Economic and financial barriers

This group of barriers could be described almost exclusively as domestic. Because all CEE countries are relatively poor, all the governments are short of money for improving transport infrastructure. The lack of investment has led to terrible road conditions in all Baltic states, especially in Latvia. The negative impact of this can hardly be overstated. Radical improvement of road conditions would promote transport development in Baltic states, and they could become important transit areas for EU-CIS trade operations,

Baltic states have inherited the railway gauge of the former Soviet Union and many sea harbours, relatively well-equipped technically. They vitally need investments in road and rail construction and repairs for the benefit of linking EU, CIS and Baltic states.

River transport in Lithuania, for instance, is slowly but surely dying because rivers as well as harbours are getting shallower and are not being properly looked after, due to lack of money.

Many of the Baltic states transport operators have weak balance sheets. They constantly lack operating funds. They have to ask for freight prepayment to be able to cover their fuel costs, entrance and transit fees, harbour duties, etc. They lose their competitiveness in the freight market.

The lack of experience in using insurance instruments plus a continued lack of money to pay insurance premiums may explain the lower reliability, possible losses and unattractiveness of Baltic carriers in the European transport markets. Very few Baltic operators can afford to have their own offices in “hot” transit points in EU countries, and competitiveness suffers as a result.

Too high rates of interest on bank loans in the Baltic states (seldom less than 20 per cent per annum) can also be included in the list of barriers. This creates huge difficulties, especially for long-term investments for all transport operators. This is evident in all modes of transport, especially in rail and waterways, where the situation is more complicated due to inflexibility related to state ownership.

Many small operators in the Baltic states cannot afford the membership fees of different international transport organisations, **and** this sometimes limits the access to international transport markets for them. This could be defined as the foreign economic barrier for CEE operators.

3. Technical barriers

This is in fact the most influential group of barriers, faced by operators in their daily routine work. The following list probably does not include all technical barriers, but at least those with the highest negative impact:

- Poor technical condition, moral and physical **wearing** out of the means of transport themselves. Waterways transport suffers from this tremendously, **as** the greater part of the tonnage is old and therefore not competitive.
- The railway cars are worn out and not safe for carriage.
- Many of the old Soviet trucks, which consume a lot of fuel and pollute the environment, need to be replaced by modern ones.
- Border crossings in Baltic states need to be greatly improved and their number increased. They should also be better equipped technically.
- The poor quality of domestic telecommunication services in the Baltics puts the Baltic transport operators in **a** worse position compared to Western competitors.

4. Barriers linked to knowledge and experience

In the former Soviet Union, foreign trade and its related operations were organised through big organisations or foreign trade associations (FTAs). The staff of the FTAs were quite experienced in doing their job.

After the restoration of independence in the Baltic states and the introduction of free market economy rules (which nearly coincided chronologically), many new independent operators appeared in the transport market. Yet, most of them had no professionally-trained staff. The situation has substantially improved today, but the question of trained staff remains very important. Some professionals, who were not able to learn local languages -- which became state languages -- had to leave their jobs, **and** their absence still represents an important shortage.

In addition, the documentation and operations in the transport sphere were formerly conducted exclusively in Russian, so new terminology in native languages had to be created, and many of the documents governing transport operations had to be drawn up. This process has not yet ended, especially in maritime businesses.

Alongside this, the lack **of** knowledge of English -- and other major European languages -- as international communication instruments in the transport field remains a barrier for CEE operators.

The staff lack skill in international transportation and lack knowledge about the real situation in the foreign transport markets.

Many operators face losses due to the lack of knowledge about payment conditions and the lack **of** internationally accepted payment procedures for freight. In the case of unfair actions of the EU partners, they are faced with very complicated legal procedures in European countries and do not know how to defend their interests.

The shortage of information on long-term economic policy in the Baltic states and future East-West economic relations is considered by transport operators to be the major information problem obscuring their expansion strategy.

5. Practical barriers

The domestic practical barriers comprise a long list of relatively minor things. They exist due to the generally low level of co-ordination of management information. The European operators are better informed on weather conditions at sea, traffic density on roads, and are often informed in advance **of** changes in regulations.

Problems related to traffic accidents can be solved more easily for EU operators than for those from CEE countries.

At the same time, the general opinion exists that operators from CEE countries are less reliable than EU operators. For this reason, some exporters of subsidised commodities, such as dairy and meat industry products from the EU reject hiring CEE carriers, afraid that they cannot fulfil their obligations and that the goods will be forwarded illegally to other destinations.

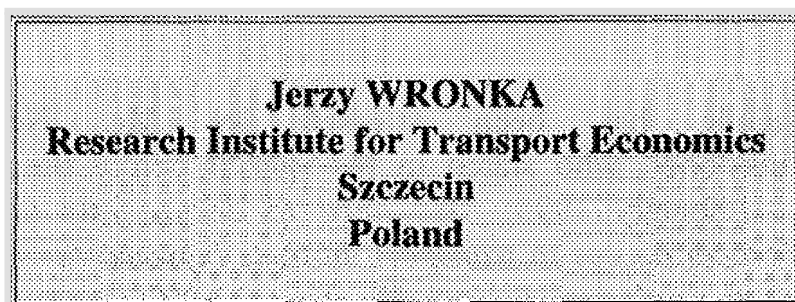
In trying to avoid such problems, butter exporters from the EU, for example, prefer to charter more expensive EU carriers, considering them to be more reliable.

So, even in this sphere, one could trace the indirect negative impact of protectionism.

3. SUMMARY

In general, most of the Baltic states operators rate domestic barriers and limitations as affecting their activities more negatively than foreign barriers. However, foreign and domestic barriers together substantially reduce the competitiveness of the CEE countries operators in European transport markets. It is also possible to conclude that technical as well as practical barriers, linked to knowledge and experience, logistical and other reasons originate from the general present situation of the economies in transition, to which the Baltic states belong.

ACCESS BARRIERS FOR CENTRAL AND EASTERN EUROPEAN COUNTRIES TO THE WESTERN EUROPEAN TRANSPORT MARKETS



1. INTRODUCTION

To begin, I would like to quote the European Union: *“As regards market access, in particular in the road sector, the Member States of the Union have been reluctant to grant market access prior to the harmonization of the conditions of intermodal competition, while Poland sees liberalisation of access to the transport market as a means of ensuring that the cost of restructuring the economic and regulatory framework of the transport sector does not totally disrupt transport services and therefore argues that both processes are complementary and should be conducted in parallel. It is, according to some opinions, a rerun of the process within the EC prior to 1985”*.

I do not think this is quite true, because the Western European countries did not complete the harmonization process of conditions of intermodal competition prior to liberalisation of access to the market, and they still face unresolved problems of internalisation of the social transport costs. I refer to the implementation of two principles: (a) the polluter pays and (b) cost responsibility for use of transport infrastructure.

It is important to note that, in spite of the long time given to those countries to solve these issues, it has been done within the framework of the free market economy from the very beginning. The only country that has attempted to make transport costs relate to full social costs is Sweden.

Due to completely different starting conditions, Poland and other CEE countries have to deal with harmonization and liberalisation at the same

time, and internalisation of the social transport costs is seen in Polish transport policy as a key instrument in harmonising conditions of intermodal competition.

It should be emphasized that liberalisation of access to the transport markets can be implemented only on a reciprocal and mutually advantageous basis.

This principle has been stressed by Mr. Neil Kinnock, Transport Commissioner, who stated in his speech before the EP Transport Committee on 10 January 1995: *“We need to ensure fair agreements are reached on reciprocal access to transport markets between the Member States of the Union and its trading partners.”* He also said, *“I want to give particular attention to ways in which transport systems in neighbouring countries, especially in Eastern and Central Europe, can be developed to be compatible and complementary with our own.”*

2. THE BASIC PRINCIPLES AND CONDITIONS OF LIBERALISATION OF ACCESS TO THE TRANSPORT MARKETS

The main objective of the integration of transport markets is to create an effective and coherent all-European transport system. This will be possible only through the achievement of a single and unified European transport market.

The problem of access of the CEE countries to the Western European transport markets should be seen within the framework of integration of the two European transport markets, keeping in mind the qualitative difference between the CEE countries and Western European countries as well as between CEE countries themselves.

The gradual liberalisation of access to national or regional transport markets should be facilitated and implemented on mutually advantageous principles and in accordance with the progress made in harmonising the conditions of intermodal competition. In this way, there should be equal chances in performance and operations for all transport operators and forwarders, both national and international.

Thus, the fundamental principle of the liberalisation process is to provide reciprocity and mutual benefits.

Hence, elimination of restrictions and any form of discriminatory practices against transport operators, forwarders and transport originating in the territory of another European state is a precondition for liberalisation of access to the European transport markets.

This is very important, because a growing number of prohibited means and restrictions, both administrative and economic-financial ones, can be observed within the increasingly competitive international transport market.

In any case, signs of nationalism in transport policies should be eliminated.

The second principle of the liberalisation process is that of asymmetry in access to the transport markets.

This is important because the sudden and full access to the transport markets of the CEE countries would spell destructive competition for their transport operators on the part of those countries which are powerful (in capital and technological terms) and experienced in market activities -- that is, the Western European transport operators and forwarders.

Assurance of equal chances for all the players in the European transport market, apart from compliance with the principle of free and fair competition, requires the fulfilment of the following conditions:

- harmonization of national rules and regulations in the transport sector with international ones;
- unification of the standards and technical parameters of vehicles and transport infrastructure;
- achievement of nearly the same qualitative level of transport infrastructure, within the transport corridors of international importance, at the very least;
- equalisation of the differences in transport techniques and technologies;
- unification of the rules and standards concerning traffic safety;
- unification of the standards in the field of environmental protection;
- unification of the charges, taxes and other fiscal burdens in the transport sector;
- unification of social and working conditions;
- harmonization of the customs and border procedures and standardization of border documents;
- freedom of creation and performance of the transport operators, forwarders and brokers' networks, based on equal rights;

- technology transfer on acceptable conditions;
- non-discriminatory access to credit on international financial markets;
- co-financing transport infrastructure projects of international importance; and
- harmonization of conditions of intermodal competition.

Consequently, there should be equalised starting conditions for the gradual liberalisation of access to the European transport markets.

3. BARRIERS AND THREATS FOR LIBERALISING ACCESS FOR CEE COUNTRIES TO THE WESTERN EUROPEAN TRANSPORT MARKETS

The process of equalising starting conditions depends on the level and scope of inequalities and barriers in the transport sector in the CEE countries, which can be defined as follows:

Technical and technological barriers, covering both transport infrastructure and transport means, in particular in the road and railway modes.

Legal and organisational barriers, including *inter alia*:

- laws, regulations and administrative provisions concerning the transport system and the transport market that are still not compatible with international regulations;
- insufficient knowledge and skill in marketing and management in accordance with free market economy principles;
- deregulation of the transport markets, especially concerning roads, where the conditions of intermodal competition are not harmonized, e.g. cases where social transport costs have not been internalised and consequently transport users do not pay full transport costs;
- regulations on social and working conditions;
- scope and level of CEE countries' participation in international transport conventions and agreements;
- regulations and provisions on environmental protection and traffic safety that are not compatible with international ones and do not meet Western European standards and parameters.

Economic-financial barriers, including, *inter alia*:

- lack of a unified system of charges, taxes and other fiscal instruments in the transport sector that are not compatible with international ones;
- lack of regulations and systems in practice, as concerns charges for use of the transport infrastructure and external effects of transport;
- undercapitalisation of the transport enterprises;
- shortage of funds for modernisation of the transport sector, as far as both transport infrastructure and transport fleets are concerned.

“Knowledge and experience” barriers, e.g.:

- lack of experience in organisation, management and marketing in the transport sector in accordance with the principles and requirements of the free market economy;
- substantial gaps in the effective monitoring of the transport market;
- lack of “psychological resistance” among the transport operators and forwarders from CEE countries in effectively counteracting the threats resulting from the strong but fair competition on the international transport markets.

So-called **“borderline” barriers** that have both an infrastructural and procedural-administrative character.

A certain number of threats to the liberalisation of access of CEE countries to the Western European transport markets exist, among them:

- localism of the political and administrative interest, both of particular countries and regions, showing up in use of prohibited means of protectionism, in particular in road transport, due to its dominant position on the international transport market;
- sudden and full opening of the CEE countries’ transport markets while, at the same time, legal economic and technical gaps exist in the transport sector between those countries and other CEE and Western European countries;
- gradual and/or partial elimination of the transport operators and forwarders from CEE countries on the international transport market, if the starting conditions do not achieve the minimum level of balance, first of all as concerns all inland modes of transport;
- high taxation on national transport operators, in particular road operators, weakening their competitiveness on the international transport market;

- substantial shortage of the domestic financial resources needed for transport modernisation and development;
- increasingly strong competition on the international transport market, covering all transport sectors and segments.

It should be emphasized that the above threats are only the basic and general ones; particular CEE countries can identify more specific threats faced by their transport operators and forwarders and the transport sector as a whole.

4. POSSIBLE ACTIONS NEEDED TO FACILITATE ACCESS OF THE CEE COUNTRIES TO THE WESTERN EUROPEAN TRANSPORT MARKETS

It should be stressed that the description of the level, scope and pace of the liberalisation process requires the identification of the distinctive features of the transport markets in the two parts of Europe, and the determination of all barriers and restrictions in the mutual access to the particular transport market segments, i.e. modal, passenger, freight, transit, cabotage, etc.

It is difficult to describe the above-mentioned issues in detail, as complex and comprehensive work needs to be carried out at international level on all countries concerned. **An** attempt is made here only to indicate and draw attention to the basic issues concerning constraints in access of the CEE Countries to the Western European transport markets.

It should be emphasized that formulation of the set of activities needed for effective liberalisation of access to the European transport markets requires a complex analysis of research findings and knowledge of the principles and trends in the all-European transport policy.

The following factors influence the scope and pace of liberalisation of access to the European transport markets:

- different economic conditions of the transport companies' performance, *inter alia* level of salaries, fuel and energy prices, quality and age of the transport fleet in operation;
- different fiscal conditions, *inter alia* taxes and charges for use of infrastructure;

- different technical conditions, concerning both transport infrastructure and techniques and technologies;
- differences in organisation of the transport companies, *inter alia* size and number of companies, European networks of services, use of logistic concepts in the transport sector;
- different social conditions, *inter alia* level of unemployment;
- intensity of the pro-ecology activities in the field of traffic safety, particular as concerns road transportation.

The following fields are of great importance to the liberalisation of access to the European transport markets:

- legislation in the transport sector, i.e. compatibility of laws, regulations and administrative provisions governing the transport market and transport system, both national and international;
- economic and fiscal regulations and instruments, *inter alia* taxes, charges, fares, prices, subsidies, external costs of transportation, financing of the transport infrastructure, etc;
- technical standards and parameters, concerning both transport infrastructure and transport means, having regard to international requirements and standards, in accordance with the provisions of the international transport agreements;
- environmental protection and traffic safety;
- organisation **and** management, covering both size, forms, number and networks **of the** transport and forwarders companies, **as** well as marketing and management techniques and skills;
- monitoring of the transport markets;
- national transport policies and programmes, taking into account the main objectives of a Europe-wide transport policy.

The preparation of a Programme to achieve the complete and mutual liberalisation of access to European transport markets calls for identification and clarification of the following issues:

- importance of transport market liberalisation for European states in integration;
- aspects of the non-harmonized transport systems **of** Western and CEE countries;
- trends of national transport policies, taking into account on the one hand, the national interest in the transport sector, and liberalisation of access to the transport markets on the other;
- principles and conditions of liberalisation;

- the main barriers that make the liberalisation process difficult;
- ways and means of elimination of barriers;
- starting and final conditions and levels **of** liberalisation;
- pace of liberalisation of access to the markets;
- states' role in the liberalisation process and expectations of the players in the transport market;
- the results of liberalisation actions obtained hitherto by the EU, ECMT and UN/ECE/ITC, and their role in the liberalisation of the transport market in the immediate future.

The programme for the gradual liberalisation of CEE countries access to the Western European transport markets could cover the following activities:

1. Harmonization of the laws, regulations and provisions, concerning the transport market and transport system, including both new legislation and introduction of amendments to existing ones, having regard to international rules and regulations, covered by international transport agreements and conventions.
2. Liberalisation of access to the profession with uniform rules for both national and international carriers, including good repute, appropriate financial standing and professional competence, concerning first of all the road transport sector.
3. Harmonization and unification of the economic and fiscal regulations and instruments in accordance with international rules and requirements.
4. Harmonization of the technical standards and parameters, aiming at their unification with international ones.
5. Harmonization of rules and standards in the field of environmental protection and traffic safety.
6. Elimination of border bottlenecks, including both infrastructural and organisational ones, and harmonization of customs and border procedures and documents in accordance with international requirements.
7. Transfer of state-of-the-art transport technologies, especially environment-friendly ones, on acceptable conditions.
8. Reduction of the transport modal imbalance through actions aimed at eliminating distortion of the modal competition.
9. Implementation of required social measures.
10. Implementation of telematics in transport management and in monitoring **of** the transport market.

11. Development of information technologies to assist in the detection of infractions, as there is a lack of enforcement of regulations, allowing illegal operations to take place in road transport.
12. Implementation of new rules in the railway sector, under the provisions of Council Directive 91/440/EEC.
13. Development of international combined transport through elimination of permits for initial and terminal road operations within international combined transport, and favourable tax treatment for road vehicles engaged in such transport.
14. Harmonization and unification of international transport statistics and forecast methods for transport needs and traffic flows.
15. Co-ordinated efforts at international level in research and development as well as training, covering all European countries, especially the CEE countries.
16. Determination of the possibilities for the further opening of borders for carriers and forwarders from all European countries.

Special attention should be paid to transport legislation in CEE countries, for example a common European set of liberalisation measures.

It should be emphasized that an international study/project is needed for elaboration of comprehensive programme of actions aimed at liberalising access to the European transport markets.

Determination of the pace of liberalisation of access to European transport markets is of great importance for the success of the process. This will depend on the pace of bridging the basic gaps (legal, economic and technological) between the Western and CEE countries. The pace of the elimination of barriers and restrictions in the transport sector of the CEE countries will determine both the pace and scope of liberalisation of those countries' access to the Western European transport markets.

Liberalisation of access to the European transport markets must take place gradually, so that the same conditions and chances for all transport actions may be guaranteed.

There is an urgent need to achieve a "minimum equalising level" in the field of technical standards and parameters, legislation and social, economic, fiscal and environmental regulations.

It should be emphasized that liberalisation of the transport market is a very complex and difficult process and it requires very careful preparation, learning from the experiences of the Western European countries.

In the case of Poland and some other CEE countries associated with the European Union, the mutual liberalisation of the access to the European transport markets is certainly necessary, and the pace and timetable of that process is or will be determined in accordance with obligations resulting from provisions under the Association Agreements.

However, we should be fully aware that the elimination of all barriers faced by the carriers and forwarders from CEE countries, and the complete liberalisation of access to the European transport markets in a relatively short period of time, is practically impossible.

5. CONCLUSIONS

An integrated single market for transport services is under construction in the European Union, and the most important decisions have already been made or are under discussion, providing a timetable for the gradual introduction of measures and a framework for further liberalisation.

This work, aimed at full liberalisation of the transport market within the European Union, must be consistent and comprehensive.

The following questions remain:

- What are the changes and possibilities of ensuring full and non-discriminated access of CEE countries to those transport markets?
- In what **way** is it possible to achieve such liberalisation in the light of the great organisational, economic and technological barriers for carriers from CEE countries?
- How can the possibilities for full but gradual access of CEE countries to the EU's market be improved, on equal conditions and in accordance with the rules and principles of the free market economy?

While it is difficult to answer these questions simply, we should attempt to provide the best solutions while the process of adapting our transport sector to the EU's legislation and to international standards and parameters is under way.

It should be emphasized that progress in market access negotiations will continue to be high on Poland's agenda and it will constitute a yardstick of the European Union's readiness to live up to its political commitment, repeated in Essen, to effectively prepare their future accession.

It is quite clear that the process of liberalisation of access to the European markets is continuous and unavoidable. Clearly, it will be impossible to reach the basic goal of an all-European transport -- creation of effective and integrated European-wide transport system and transport market -- without it.

PROBLEMS FOR GERMAN TRANSPORT COMPANIES WITH TRANSPORT IN EASTERN EUROPE



The opening up of EU and eastern Europe transport markets poses severe problems of adaptation for medium-sized road haulage firms, which should not be regarded as any less critical than the creation of a common transport market in the EU. Until now, harmonization of the conditions of competition has been the determining precondition for the opening up of markets. Without the creation of appropriate framework conditions for European transport markets, the continued existence of many medium-sized firms in Germany is therefore threatened. Highly controlled safety and social standards, along with tax-related distortions of competition, are of the utmost importance.

Realistic forecasts assume that freight transport by road between Germany and Eastern Europe will increase more than 14-fold over the next 15 years, i.e. by around 1 350 per cent. In 1993, cross-border road freight traffic with Poland amounted to over 10 million tonnes and with the Czech and Slovak Republics to over 11 million tonnes and growth rates are rising sharply. However, this growth is increasingly running into infrastructure barriers. It is also becoming increasingly difficult for western European firms to organise regular transport to and from Eastern Europe.

At the present stage of transport growth the railways are already overloaded, and cannot be expected to relieve the pressure on overcrowded roads. Even the planned rapid extension of major railway connections will not be sufficient to absorb the likely increase in freight transport by road. Road transport also represents the only realistic means of opening up the vast expanses of Eastern Europe at a sustainable cost.

Deregulation in the EU and the growth of East-West trade have led to an increase in road traffic, which people living near heavily travelled transit routes are less and less willing to accept. This problem of acceptance has generated great activity by politicians attempting to solve traffic problems at regional level by traffic bans and other such measures. We observe with concern recent developments in Saxony, for example, where compulsory measures are being considered to force cross-border freight traffic at the German-Czech border off the roads and onto the railways.

The day-to-day difficulties of drivers on Eastern European routes should not go unmentioned. In a recent report, the magazine FOCUS brought out into the open matters that had hitherto been discussed only in whispers. Catastrophic clearance conditions at east European borders not only result in archaic working conditions but also sometimes lead to drivers risking life and limb.

Intolerable conditions at borders and the soaring number of criminal attacks on drivers, vehicles and loads are particularly problematical in transport to and from Eastern Europe. Having to pay bribes to border officials is harmless in comparison. In many cases, however, driver safety can be ensured only by paying protection money to organised cross-border criminal gangs. The police seem to be powerless against such unlawful activities and reinforced police controls have so far been unable to reverse the trend towards increasingly brutal behaviour by criminal gangs. As a result the transport industry has increasingly come to regard trips to Eastern Europe as an uncertain adventure on which not all drivers are willing to embark.

In the interests of rapidly expanding trade flows, it is urgently necessary to make criminal attacks on drivers and vehicles more difficult by improving the transport infrastructure and creating guarded vehicle parks. Furthermore, because of the lack of amenities at border crossing points the working conditions for drivers during clearance procedures fall below any socially acceptable level. In many cases there are no sanitary or catering facilities, despite waiting times of 30 to 50 hours, while arbitrary behaviour by officials can impose unreasonable financial and human strains on both drivers and firms.

Another aspect of long waiting times at eastern European border crossing points which also merits consideration is that they constitute a market barrier for transport firms from hard currency countries. With hourly wage costs of DM 30 to 40, these firms have to bow out of the competition before eastern European transport firms, whose drivers receive only a fraction of the wages and social benefits that are customary in Western Europe.

This is reflected in the extremely small proportion of German vehicles in cross-border traffic with east European countries -- in 1993, German vehicles carried only 25 per cent of freight shipped by road to Poland, 22 per cent to the countries of former Czechoslovakia and 21 per cent to Hungary. In other words, four out of five vehicles in East-West traffic are from Eastern Europe.

Many manufacturers from Germany and Western Europe as a whole, drawn by low wages, have “discovered” attractive production sites in Eastern Europe. Low living standards and extremely low wages as a result of exchange rate pressures have opened up new manufacturing locations on Germany’s very doorstep.

According to research by the Institut der Deutschen Wirtschaft, an economic research institute, the average monthly salary of a blue-collar worker in Eastern Europe in 1992 ranged between DM 58 in Russia and DM 403 in Hungary. These represent between 1.6 per cent and 11 per cent of West German wage levels. If supplementary costs as well as direct wage costs are taken into account, total wage costs for an eastern European blue collar worker represent between 1.4 per cent and 10 per cent of West German levels.

It was inevitable, in **view** of the pressures of international competition, that many firms should relocate their production in eastern European countries, and the export of jobs from West to East will continue for many years to come. The more expensive Germany becomes, both as a result of its position in the vanguard of ecological and social policy (reflected in ancillary wage costs, for example) and as a result of overall taxation levels, the more attractive new production locations outside Germany’s borders will become.

The relocation of production also means that not only more goods but also more raw materials, half-finished and finished products will have to be transported from Eastern Europe to customers in Western Europe. Added to this is the fact that relocation by west European manufacturers in Eastern Europe is often linked to the requirement imposed on firms providing transport and logistic services to open establishments in the new locations. Behind this requirement lies the manufacturers’ desire to be able to combine high-value services and service know-how with local conditions in Eastern Europe. Under these circumstances, transport firms often have no choice but to open subsidiaries with eastern European colleagues and expose new service enterprises to prevailing economic and social conditions.

The relocation of production to lower-cost countries is of particular relevance to the road haulage industry. Heavy goods vehicles (HGVs) are

comparable to “mobile production sites”. Lower wage, social, safety and environmental conditions can be “re-imported” directly back into west European markets. The price pressure on firms located in Germany and other EU Member States becomes intense. For that reason, in the medium term it will be possible to preserve only highly specialised and differentiated markets on which the high quality of West European firms, the result of a training process which serves as a model for the whole of Europe, plays a decisive role. It is the only type of market configuration where the preservation of a qualitative advantage will make it possible to offset western wage and social standards. In comparison with Eastern Europe, jobs in the west European transport industry will have to match the claims of a “high tech” competitive advantage which can only be supported by highly differentiated logistic services in specialised market segments.

Insofar as the EU opens up or even --with the inclusion of appropriate rules on cabotage-- liberalises its services markets, substantial job losses are likely in both intra-EU and domestic German transport. The only way to prevent the far-reaching destruction of west European transport firms is a cautious opening up of markets and a responsible regulatory policy. This is valid with regard not only to job losses but also to social, safety and environmental standards in the transport industry. If these framework conditions are not taken into account, lower transport costs for the service of European markets would be purchased only at the cost of lower wage and social standards imported from Eastern Europe. Without some measure of political protection, hard-won progress in creating high-value jobs which valorise workers -- and not only in the freight transport industry -- would come to nothing.

The fact that many **east** European countries do not necessarily regard this development as a positive one does not make things any easier for western European transport firms. **As** a businessman operating in Eastern Europe, I soon discovered that individual countries have a whole panoply of dissuasive measures intended to make it difficult for foreign transport and logistics firms to set up there. However, I was also very soon able to observe that a serious attempt to create jobs and employment in Eastern Europe on more than a temporary basis met with a ready response from the licensing authorities. Establishment in Eastern Europe, and the development of logistics firms there thus depends on whether and to what extent actual logistics know-how and capital are invested in the new establishment, the objectives pursued and the nature of the firm’s commitment.

It is plain that some eastern European neighbours are seeking to use western European know-how and investment in modern technology to achieve, in a very short space of time, western-standard domestic transport and service industries. These efforts extend to numerous areas, including the transport of hazardous materials. East European transport **firms** have shown a keen interest in facilitating as comprehensive as possible a transfer of know-how in the training of drivers transporting hazardous materials. Enquiries to trade organisations and other training institutions concerning both the training **of** trainers and driver training courses show that market pressures are causing training deficits to be made **up** as quickly as possible.

The German transport industry regards this transfer of know-how as positive, because road safety and environmental protection are indivisible. However, it should not be forgotten that the co-operation afforded by the German transport industry and its training institutions is reducing the competitive advantage of German and west European transport firms, which have made strenuous efforts over several decades to develop **proper** training **programmes** that are now available to almost anyone. The burden of ensuring the acquisition, further development and maintenance of know-how lies principally upon transport firms in Western Europe.

Fortunately we can also point to the fact that specific safety standards in some eastern European countries are in some cases already more stringent than **those** in Western Europe. Drivers in the Czech Republic, for **example**, must have their licence extended annually and submit to regular medical examinations after the age of 60.

To a certain extent, such comparatively stiff conditions for personnel are diametrically opposed to other technical operating conditions. Newly created transport firms and owner-drivers from Eastern Europe in particular often do not dispose of modern vehicle technology. Utterly obsolete vehicle technologies are frequently found even in cross-border traffic, **posing** both environmental **and** road safety hazards. HGVs from Eastern and South-eastern Europe still frequently hit the headlines when extreme technical deficiencies and breaches of social regulations come to light at border crossings. However, any improvements in the situation can only be gradual. The Federal Transport Minister is seeking, in bilateral transport negotiations, **to** link an increase in licence quotas **to** the introduction of “green HGVs”. Under the “green HGV” rule, only specifically licensed vehicles meeting the latest EU licence and safety standards could be used. The fact remains, however, that by far the majority of licences are issued without this kind of condition.

On balance, the conclusion must be drawn that, in the six or so years since the opening up of Eastern Europe, conditions in Eastern and South-eastern **Europe**, for West German road hauliers in particular, have not only not improved but considerably worsened. Arbitrary action by officials and the increasingly unscrupulous activities of criminal gangs are creating substantial financial and personal hazards. It is ultimately up to politicians from the East and the West to ensure that this intolerable situation is rapidly improved.

CZECH OPERATORS' EXPERIENCE OF INTEGRATION IN THE EUROPEAN TRANSPORT MARKET

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In February 1995, a Europe Agreement was concluded establishing an association between the Czech Republic and the European Community. This agreement is meant to pave the way for accession by the Republic to the Community at a future date after the year 2000, a situation which requires the closest possible communication between the two parties concerned.

Developments in the Czech Republic since 1990 have resulted in the full privatisation of international road haulage firms. The present situation is similar to that in other European countries. About 60 per cent of the haulage firms which operate one to five lorries are run by individuals or limited liability companies. Medium and large firms are usually public limited companies.

Market access in the Czech Republic has been liberalised to a very great extent, although a new Road Haulage Act came into force in September 1994. Full liberalisation can be achieved owing to:

- the integrity of the operators;
- vehicle compliance with technical standards; and
- the operators' professional capacities.

In my opinion, what is completely lacking is financial capability. Along with the privatisation of road transport undertakings, the liberal attitude to the transport market in the Czech Republic and in other European countries has led to new basic conditions and, accordingly, to the need for action concerning:

- a) some 28 road haulage agreements between the Czech Republic and other European countries (valid during the existence of the former Republic of Czechoslovakia);

- b) the conclusion of new bilateral agreements on transport, especially between the new countries in Eastern Europe; and
- c) relations between the European Conference of Ministers of Transport and the Czech Republic.

The review of intergovernmental agreements is the responsibility of the Czech Ministry of Transport, with which Cesmad Bohemia Prag, the association of international road haulage firms and a member of the IRU, is co-operating. Relations of the European Conference of Transport Ministers with the Czech Republic are to be considered in the context of the gradual implementation of the Europe Agreement on the Czech Republic's association with the European Community. In this agreement transport is covered in Article 82 of Title VI on Economic Co-operation. I would like to quote the basic provisions relating to road haulage in this Article:

“1. The Parties shall develop and step up co-operation in order to enable the Czech Republic to:

- restructure and modernise transport;*
- improve circulation of passengers and goods and access to the transport market by removing administrative, technical and other obstacles; and*
- facilitate Community transit in the Czech Republic by road, rail, river and combined transport.*

2. Co-operation shall include the following in particular:

- economic, legal and technical training programmes;*
- provision of technical assistance and advice, and exchange of information;*
- provision of means to develop infrastructure in the Czech Republic.*

3. Co-operation shall include the following priority areas:

- construction and modernisation of road transport, including the gradual easing of transit conditions; and*
- modernisation, on major routes of common interest and trans-European links, of road infrastructure.”*

Let us now consider the practical experience of central and eastern European transport operators with regard to their integration into the

European market. The European Conference of Transport Ministers has issued rules for the use of the multilateral quota of ECMT licences for international road haulage on behalf of third parties. These rules state the requirements and principles under the multilateral quota system enabling carriers registered in Member countries to carry goods between these countries or in transit through them.

The use of the ECMT licences by Czech road hauliers is influenced by the following external factors: (1) customs problems; (2) taxes and charges; (3) different attitudes on the part of European countries (including those in the EU) to vehicle technical standards. Let us look at each of these factors more closely.

1. Customs problems

1.1 *Frontier crossings*

On 18 November 1993 the IRU issued a Declaration on border crossing difficulties in Central and Eastern Europe. In this Declaration governments, non-governmental organisations and banks were urged to contribute to solutions through:

- better organised formalities at frontier crossings;
- infrastructure development; and
- the proper use and further development of international agreements.

Transport Worlung Group G-24 run by the Community is a multi-purpose forum for co-operation within the transport investment field. Almost Ecu 74 million were spent between 1990 and 1994 on the economic development of the Central and Eastern European countries. This sum was to be used for investment projects, technical co-operation, export credits, support of private investment, scholarships and other items. Only 4 per cent of the total, or Ecu 3 million, went to the transport field. This share should obviously be raised to a level consistent with the economic importance of transport to the various European countries.

Despite the major effort made at international level, the situation is no better at certain border crossings. Problems still exist on the German borders with the Czech Republic and Poland, on the Romanian borders with Hungary and Bulgaria, on the east-west Balkans corridor and on some borders between the Republics of the former Soviet Union. The average waiting times for lorry

clearance are 10 to 20 hours, while the maximum waiting times are from 24 to 48 hours and more. (These figures apply to late 1994 and early 1995). According to a study on these problems conducted among Dutch road hauliers, waiting times at frontiers in Central and Eastern Europe cost the Netherlands road hauliers concerned Gld 11 000 a month on average. I estimate these additional costs for Czech international road carriers at Kc 7 to 8 billion a year.

1.2 Different approaches by customs authorities in the various European countries to the application of the TIR Convention concerning transit operations

Central European road hauliers are frequently criticised for taking **part** in organised contraband operations. The findings, which have been confirmed in a study of more than 300 TIR carnets among more than 50 Czech operators, do, however, vary. It is the citizens in the countries of the European Union who benefit from contraband. The customs authorities in the various countries do not work closely enough with the national road haulage associations. The associations guaranteeing the TIR system still have no register of the customs stamps used by the various customs authorities. In those circumstances, how is the lorry driver to know that the TIR carnets he is using has the wrong customs **stamp?**

Looking at the problem from the other side, it is obvious that fraud starts in the same way. The hauliers may not have gone through the final customs authority stated in the carnets. In addition, they may have passed on the TIR carnets to third parties in order to obtain valid or counterfeit stamps on the customs sections of the carnets, without informing the association which has issued them.

The following action must be taken without delay in order to eliminate such incidents:

- the price of TIR carnets must be increased considerably and a fund set up to meet the costs of the present disputes and to provide insurance cover for risks of up to \$50 000 per carnet issued;
- the work of the transport association bodies which deal with TIR services and complaints concerning TIR carnets must be stepped up;
- the number of carriers within the TIR system must be drastically reduced.

This reduction must be made under the best professional guidance available, with the reputation of the carriers being taken into account, and the financial guarantees provided for the carriers admitted to the TIR system should be raised.

2. Taxes and charges

IRU's autumn 1994 Congress in San Diego showed that trade in goods between regions which were at different economic levels cannot work properly without substantial investments. This is illustrated **by** the relationship between Central and Eastern Europe **and** the European Union and also by the free trade area set up by Mexico, the United States and Canada (**NAFTA**). For example, charges for the use of motorways are not co-ordinated. They are higher in the more advanced economies than **in** others. This example shows how illogical the entire system is. The resulting inflationary pressure in the less advanced economies has a detrimental effect on trade in goods.

3. Technical standards for vehicles and their effect on ECMT licences

At present about 3 000 lorries complying with stricter ecological standards are registered in the Czech Republic. However, a breakdown of 170 ECMT annual licences results in the following figures:

32 licences without restrictions for green lorries;

23 for green lorries with restrictions applicable to Austria;

44 for green lorries with restrictions applicable to Austria and Italy;

42 for green lorries with restrictions applicable to Austria, Italy, **Greece and Portugal;**

29 which **include** restrictions and are not valid for Austria, Italy, Greece and Portugal.

Of the 504 monthly licences, all of them include restrictions applicable to Austria and Italy.

The above figures illustrate the differences in attitudes among ECMT countries to the air pollution caused by lorries, and these differences are detrimental to the ECMT system. It can therefore be recommended that either all ECMT licences are issued to green lorries without any restrictions, or ECMT licences are allocated without discrimination to all lorries which comply

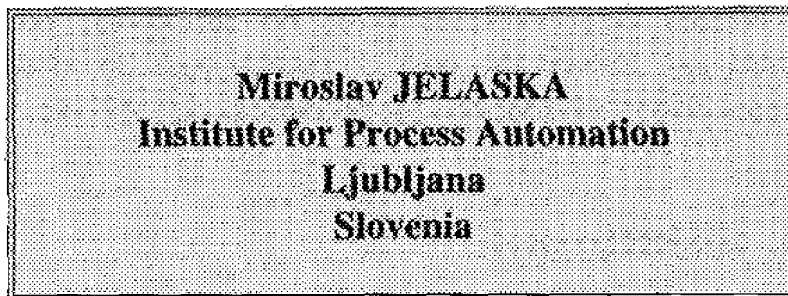
with the technical standards for international transport. Joint action on this problem would obviously contribute to the development of the transport market in Europe. I have already referred to similar problems in the **NAFTA** area.

The negative side of the use by Czech carriers of ECMT licences is their low share in transport to and from the Czech Republic, which in 1994 amounted to only 20 per cent of the total. This is due to:

- the unsatisfactory link-up between forwarders in the Czech Republic and in ECMT Member countries;
- excessive waiting times at frontier crossings, so that it is difficult for Czech road hauliers to keep to their dispatch and delivery schedules; and
- the licensing restrictions referred to above.

A problem with which our carriers are frequently confronted is that of thinking that they can use an ECMT licence for transit through ECMT Member countries into non-Member countries. A typical example is the shipment of goods from Austria to Russia. Polish customs refuse to recognise the ECMT licence for this shipment. Another difficulty is that the ECMT green lorry certificate is valid only in connection with the ECMT licence. Member countries must issue their own certificates in the case of bilateral relations. Instead of a single document for a green lorry, the driver is therefore obliged to have three or more official documents containing exactly the same information. Not only carriers but also vehicle manufacturers find this measure incomprehensible.

IDENTIFICATION OF BENEFITS AS A WAY FOR CEE OPERATORS TO ACCESS THE EU TRANSPORT MARKET



This paper addresses the problem of increased integration of CEE countries into the EU in the **field** of transport, with respect to the barriers and difficulties faced by various transport operators.

The aim is, firstly, to recognise relevant features and **secondly**, to suggest ways to use the positive factors to accelerate the integration of CEE transport operators into the western market.

A certain level of scepticism will be noted in the paper, due **to** the fact that integration implies a redistribution of transport jobs. Given the political will, resources freed through synergies arising from integration could be used to ease the process and make transition gradual; but it will not be easy.

1. INTRODUCTION

1.1 Quality transport operators

The question of why gaining access to western European markets **for** third countries' transport operators is *so* difficult is a complex one. Several decades of stable relations and increasing competition have had an impact on the selection process among operators. The existing set of western transport operators consists of relatively highly qualified operators able to compete even with low cost competition.

1.2 Low cost of transport is less important

Freight transporters do not desperately need to offer cheap services to be competitive on the market. Other qualities can compensate for higher prices -- for example, speedy delivery saves costs for storehouse premises, shorter consignment times can reduce the cost of capital tied up in transport, lower transport risk means lower reserve resources and insurance costs.

1.3 Differences as consequences

Differences between western and eastern transport operators have been accumulating for too long to be easily removed. Whatever we call the consequences (obstacles, barriers, etc.), their long-term existence produces effects which cannot simply be erased. It is true that good analyses can produce a structured list of barriers. Such a list would be positive and helpful, serving as a checklist of what actions should be necessary. The elimination of certain items on the list can lower the barriers, but at the same time, calls for adaptation in cultural, social, ecological, technical, organisational, juridical areas, etc. In the end, two different worlds will be brought closer together. This cannot be a simple task -- the barriers exist in the first place because of widely-accepted different ways of living.

1.4 Transport job redistribution

The existing western transport industry has its own distribution of jobs. The operators' normal reasoning is to achieve further development to increase profit, scale of production or other similar goals. One may not expect the western transport industry to abandon any of its share of transport jobs. This is true if there are not enough jobs; it is also true if there are a lot of newly-induced jobs, which is to be expected after the integration of new states' economies (the reasoning follows the simple logic: "why not increase *my* transport job volume?"). For intermediate solutions a mixed impact can occur -- an increase in the total number of jobs together with a limited redistribution of them.

1.5 Common interest as an orientation

Since the initiative to gradually integrate the CEE transport operators into the western transport service market comes from both sides (EU as well as CEE countries), coherent interests must be identified for such an approach. This

paper examines the identification of interest (benefits) for a redistribution of transport jobs in Europe among transport operators. **The** operators are mostly recognised as members of two sets: either within the EU or from the CEE countries.

2. LOOKING FOR POTENTIAL BENEFITS

This paper proposes the approach of looking at the problem as an investment from an unidentified set of investors. There will be certain resistance against a redistribution of transport jobs. To overcome this resistance, definite motivations (and resources) must be found. Who will benefit from it, who will pay for it and why? A new optimum distribution must show a definite surplus, a synergy to compensate losses. It would be best to find common interests, setting up a “win-win” situation, and then remove relevant barriers.

After the identification of the benefits, the parties that will benefit may negotiate. The negotiation process is unavoidable. It may include discussions on job division and compensation. Otherwise, the list of “barriers” may appear as only a request without the force behind it to be implemented.

The negotiation principle is based on reciprocity. It can be clear and easy if flows between the two regions are balanced, as in passenger air transport, where an agreement on a new line can **be** easily accepted if each of the involved “flag carriers” takes on half the job. The situation is not so simple in freight transport. Passengers do eventually make return trips. Freight flows are generally one-way, with the exception of certain flows where intermediate goods can be finished and returned and in the case of recycling materials, which can lead to some return flows.

3. RELATIONS IN ROAD TRANSPORT

3.1 Generated freight

Years ago, operational researchers expressed optimism -- which turned out to be unfounded. The possible optimisation of empty vehicle assignment held a

lot of promise, especially after the advent of the electronic data interchange and the appearance of a kind of electronic exchange. But there was not nearly as much success as expected. Information about freight is so valuable that the risk of running empty vehicles is not so crucial. What counts is the information about the customer.

It is hard to believe that after years and years of fighting for transport jobs, redistribution will be simple. To make sudden changes in the system, some kind of compensation must be introduced during the transition period.

3.2 Quality of transport service

Low prices no longer seems to be the most important element in the selection of a transport operator. Circumstances are changing -- more valuable freight can be found in the process. Capital cost engaged in transport plays an important role, and last-minute transport is more and more attractive. Generally, lower internal organisational reserves require better planning, monitoring and responsiveness. Care of the consignment and the ability of the operator to respond promptly seem more decisive. Since again these factors are part of competitiveness, they cannot be considered as a barrier to access.

3.3 Competitive modal cost of road transport

The costs of road freight transport are still low compared with railways. Still, the question remains of whether taxes, fuel prices, road taxes and external charges cover the real costs of this transport mode. Some additional charges might soon be introduced for the environmental externalities.

3.4 Competitive advantage as impedance

The set of commonly observed barriers may be reduced if some "barriers" are just an expression of competitive advantages of a transport operator. A particular transport market cannot be regarded as "protected" simply because operators have good performance, qualified staff, better negotiation skills, etc.

3.5 Consequences of reciprocity

Some measures can have unexpected reciprocal effects, e.g. the often-proposed abolition of quotas or permits does, of course, open the western network to CEE operators, but an EU operator will also have opportunities in the Eastern network.

3.6 Summary

There may be a global opportunity for benefit in a better use of a **truck** fleet by reducing empty runs, but there are no easy answers regarding the free redistribution of transport service jobs on roads. One approach -- which would be mutually beneficial -- may be a combined reduction of empty vehicle runs (by a more sophisticated system of permits and taxation) and stimulation of partnerships among western and eastern transport operators.

4. (MORE) CO-OPERATIVE RAILWAYS

4.1 Balance on railways

Railways share revenues according to the principle of territoriality. If a common service is provided in collaboration with other transport operators, the involved networks take their proportional share. Each acquisition of a common transport service is in the common interest. New ideas --for example, the reorganisation of international railway operators -- can further complicate this situation.

4.2 Empty wagon running

The problem of empty vehicle running is not so obvious on the railways. The policy on immediate return of an empty wagon by the shortest route is fair to railways. **Of** course, there may be some non-optimal cases. If a railway company has a surplus of empty wagons, it may load its own wagon in spite of the possible availability of a foreign empty wagon. Both wagons then run

towards the same destination. The advent of international railway operators can make the situation more complex, and a similar question as in roads may appear -- who will profit more?

4.3 The marshalling yard job distribution

The distribution of marshalling yard jobs is a good example of additional problems in relations among railways. Previously, it was believed that the marshalling yard job was divided on a fair basis. All changes from one timetable period to another used to be introduced on a reciprocal basis between two railways. During the transition of CEE countries, the freight flows have changed drastically. A new study might be necessary to recalculate the optimal division of this job, at least in the regions bordering the Western network. This may open up opportunities for Polish, Czech, Slovak, Hungarian and Slovenian railways to take a greater share in freight train formation, mostly for the East-West traffic, and at the same time, can contribute to better utilisation of capacities on German, Austrian and Italian railways.

4.4 Summary

The problem of access of railway operators to the western transport market is not as acute as for roads, because the benefits of commonly-performed transport services are divided according to the territoriality principle. However, the expected advent of international railway operators will raise questions very similar to that on the roads.

As the question of empty wagon running is more easily controlled (compared with road traffic) by the railways (if there is enough computerised support), a more sophisticated measure could improve the global situation. Immediate return is the best solution if there is a lack of several special wagon types. Otherwise, better wagon utilisation can be adopted. If necessary, a certain operational correction must be allowed in the axle-kilometre balance principle in the bilateral wagon exchange.

A better capacity utilisation might be achieved in the field of marshalling yard job distribution, where a study should be undertaken. The hypotheses suggest a quality improvement, if more shunting jobs are to be assigned to the eastern marshalling yards with the regions bordering the western network.

5. IMPLEMENTATION FORCES

5.1 Understanding why

A quite efficient approach for analysing an event is to understand “why”. The initial assumption may be that in normal circumstances nobody is prepared to hand out anything for nothing. Therefore, it seems illogical to believe that any region, community **or** state would ask for lower barriers just to allow foreign transport operators **to** work alongside domestic operators.

5.2 Free access as investment

In this case, we could ask the following question: if **it** means lower profit, shall we consider free access as an investment and look for the possible benefits, if any, and find the tools to implement the measures?

5.3 Lower tensions

It is understandable that some efforts be made to provide transport operators coming from CEE countries better access to the western European transport market. This may have a positive impact on mutual links and may benefit both partners. Encouraging gradual development of some less developed regions may help to avoid conflicts in many areas of social, economic and political life. A gradual development, similar to the “relaxation” phenomenon in physics, can prevent higher tensions. The willingness to pay **€** for the closure **of** a nuclear power plant in a neighbouring country is just one drastic (but comparable) example of how valuable a decrease in tension between two different levels **of** safety would be.

5.4 European “critical mass”

Stimulation for more homogenous development in the transport field in Europe may help to form a greater “critical mass” in competing with other regions, especially Japan and the United States of America.

5.5 Development of market potentials

The greater the potential of an additional market, the greater the benefits. The potential of a less developed country can also be improved if the country has more money. This can be achieved through reciprocal import of goods or services.

5.6 Avoiding future obstacles in a single market

Ideas on how to make Europe free of tensions (which are possible generators of conflict) may start at general homogeneity (equal laws, conditions, salaries, technical means, etc.). If there were sufficient homogeneity throughout Europe, the quality of life would be better. Smooth trading will bring benefits to all the participants offering products over a wide area.

5.7 Basis for negotiations

If an essential new benefit is expected from mutual trade, the two countries may negotiate how to maximise the effect of additionally generated transport services; in this way the reciprocity principle can take place.

5.8 Postponed new constructions

Empty vehicle trips contribute to traffic congestion. Unnecessary new road construction could be avoided if a better utilisation of loaded fleet can be achieved. Insufficient road capacity often causes a process of new road building, which is a high cost investment. As the main transit area, Central Europe is most sensitive to this issue.

5.9 New market for ecological trucks

The demand for ecologically acceptable trucks may increase in the CEE countries. Introduction of any kind of measures **must be** economically well-justified; otherwise further discrepancies will be introduced in the transport system --for example, assistance for the purchase of a modern manufactured truck may provoke unfair trade. In such a case, a loan seems to be a better solution than a subsidy.

5.10 Summary

Some general benefits should be considered in evaluating the positive impact of greater integration of eastern transport operators in the EU transport service market --reduction of tensions and risks for trade and development, increased European competitive critical mass, development of new market potentials, achievement of a wider market for Western products (and vice versa), avoiding future obstacles in trade relations, increase in mutual trade, postponed investment in new road construction due to lower congestion and having additional markets for more ecological trucks.

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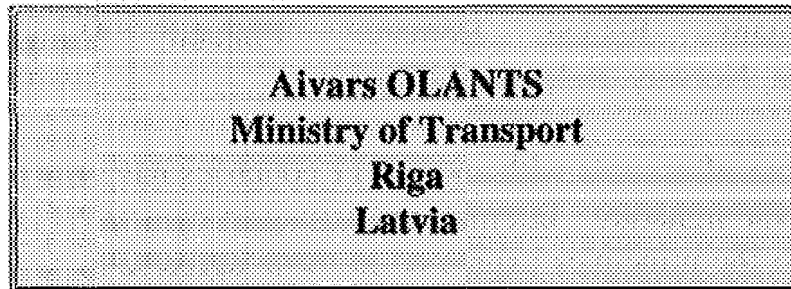
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INTERNATIONAL ROAD HAULAGE POLICY IN LATVIA AND INTEGRATION INTO THE EUROPEAN TRANSPORT MARKET



Since 1991, when the Republic of Latvia regained its independence, the structure of industrial and agricultural production has considerably changed and output has decreased. At the same time, because of the geographic position of Latvia, the volume of services provided, especially in the field of international passenger and goods transport, has increased rapidly. The number of companies involved in international carriage by road has grown considerably. While in 1990 there was a “Sovtraspnavto” monopoly in the field of international haulage -- i.e. one state-owned company with about 180 trucks -- at present in Latvia there are approximately 1 900 carriers who are licensed to perform international goods transport, with more than 7 000 goods vehicles and more than 500 licensed passenger carriers operating about 1 100 buses. About 1 000 of the hauliers are involved in regular goods transport operations in both East and West directions.

More than 400 hauliers have united in a professional association of international hauliers, “Latvijas Auto”, with more than 5 000 **trucks**. In 1992, “Latvijas Auto” became a permanent member of the IRU and it now guarantees the functioning of the TIR system in Latvia. The Latvian Passenger Road Carriage Association was founded in 1993, and in 1994 the Latvian National Forwarding Association, which was recently accepted as a member of FIATA, was founded.

As a new Associate Member of the European Union, it is difficult for Latvia to compete with European industrial and agricultural products. The situation is quite different within the European transport market, where our carriers are able to be competitive and flexible because they know both western and eastern transport markets. It should be stressed that transport and transit policy is of primary importance for Latvia’s development.

Since 1991, much has been done to ensure a legal basis for international carriage by road. At present, agreements on passenger **and** goods international transport by road have been signed with 17 European countries, the first one with Denmark on 14 November 1991, followed by the Benelux and Baltic countries, Poland, Germany, France, Romania, Finland, Hungary, Sweden, United Kingdom, Norway, Belarus and Russia,

Similar **types** of accords with another 11 countries have been agreed and are being prepared for signature. International transport operations are being carried out according to the principles expressed in those agreements with the countries with which draft agreements have been agreed and initialled. During 1994, Latvian carriers have used more than 50 000 international road transport permits from different foreign countries.

It should be stressed that the upcoming signing of agreements with such countries as Italy, Austria, Czech Republic, Slovak Republic, Slovenia, Bulgaria, Ukraine and others is of great importance for Latvia.

Work is continuing with a view to affiliating with the most important international conventions and agreements in the field of road transport.

Latvia joined the TIR Convention in 1993, and in 1994, the CMR, CVR and AETR Conventions and Agreements as well. At present, the Ministry of Transport is carrying out preparatory work for joining the International Agreement concerning International Carriage of Dangerous Goods by Road (ADR).

At the same time, we cannot deny the problems and difficulties faced by the Latvian carriers when performing international transport by road.

The first ones to be listed should be those connected with customs formalities and border crossings:

- In several central and eastern European countries, the functioning of the Customs Convention (TIR carnet) is inadequate (TIR corridors on border crossing points, counterfeiting of cargo invoices, etc.) and as a result, additional measures should be taken for transporting **cargo** in transit or up to a consignee (such as escorting of vehicles under compulsion, introduction of different guarantee measures, demanding of

bank documents and paying charges on border crossing points, etc.). These problems are mainly related to such countries as Poland, Lithuania, Russia, Belarus and -- unfortunately -- also Latvia.

- Border crossing capacity is unsatisfactory at a number of borders, often causing serious bottlenecks. For example, stoppage can be as long as two days on the Romanian-Bulgarian, German-Polish and Russian-Latvian borders.
- In many countries, different taxes and charges are levied, as well as different types of environment and road taxes. For example, as from 1 January 1995 in Germany, Denmark and the Benelux countries, a charge for using motorways has been introduced and Belarus and Slovenia have introduced a road tax on transit operations, etc.
- The procedure of arranging multiple visas for drivers is very complicated, resulting in ineffective usage of ECMT permits. In our opinion, it is necessary for ECMT to examine how the procedures for issuing visas for professional drivers could be simplified. (It should be noted that this problem also concerns countries which are not ECMT Member countries.) As a possible alternative, international transit permits could be recognised, in place of a visa, especially as concerns ECMT permits.

Issues of safety of vehicles and their crews on roads and parking places within the territories of certain countries are also of great importance. This situation could be improved if there were guarded parking places on main roads.

With regard to the work of vehicles' crews when performing international road transport, the Republic of Latvia joined the European AETR Agreement, (first signed in Geneva on 1 July 1970, with the first amendment coming into force on 3 August 1973). This Agreement foresees the use of personal control booklets for crew members and its eventual replacement by mechanical control equipment -- the tachograph. The compulsory introduction of tachographs as from 24 April 1995 creates certain problems for Latvian carriers. We think that a transitional one-year period is needed to establish a relevant institution and to equip the vehicles of Latvian carriers with tachographs.

A similar situation exists with so-called "green lorries". There is no institution in Latvia to check whether a vehicle's parameters correspond to "green lorries" requirements, or to issue relevant certificates. As a result, less than 1 per cent of all goods vehicles at the disposal of Latvian carriers correspond to

“green lorries” requirements. The only exception is the Volvo agency in Riga, which issues “green lorries” certificates for their vehicles. For other models of vehicles, this certificate is available only from institutions abroad.

In view of the above-mentioned problems, it is difficult for the Latvian carriers to effectively use the 32 ECMT permits that are foreseen for “green lorries” during 1995. The problem is even more complicated due to the fact that all ECMT permits valid in Austria are “green lorry” permits.

As concerns the flow of goods, the most intensive flow to the West is between Poland, Germany, Finland, the Netherlands, Hungary and Belgium, and to the East between Russia, Belarus and Ukraine. For example, in 1994, Latvian carriers used more than 14 000 Polish permits and more than 8 000 German permits.

The necessary number of permits is more or less successfully agreed upon at meeting of Joint Committees, but it is already becoming clear that the number of permits to such countries as Austria and Belgium is going to be insufficient.

With regard to international passenger carriage by buses, it should be noted that, at present, Latvian carriers are operating regular passenger services to Estonia, Lithuania, Belarus, Russia and Poland. Approvals of partner countries have been received for opening regular routes from Riga to Warsaw, Prague, Bremen, Cologne and Munich. During the last few years, the number of tourism services has considerably increased. Latvian carriers are operating occasional services to practically all the European countries. In order to ensure a legal basis for international occasional passenger services Latvia (as well as Lithuania and Estonia), has expressed their wish to join the Agreement on Occasional Passenger Services (**ASOR**) of 12 July 1982, but as it is a closed type of agreement this is not possible.

At present, Latvia has agreed with nearly all the countries that have concluded agreements on International Road Transport that the principles of the ASOR Agreement will be observed when performing occasional passenger services. Unfortunately, according to **ASOR**, the waybills used by the Latvian carriers are not accepted in such countries as Italy and France. If our carriers are going to France, they need a special type of waybill which must be obtained in advance; the Italian authorities require special authorisation which calls for the correlation of all occasional services between the respective ministries of transport. The first meeting between the Latvian and

Italian delegations on the final negotiation of the text of the Agreement on International Road Transport took place in Rome in 1993. Unfortunately, for reasons beyond our control, the second meeting has not taken place. It is difficult to understand the position of Italian authorities towards Latvian carriers, especially if we take into consideration the general harmonization and liberalisation processes of goods transport in Europe as well as the Protocol of Understanding on the procedure of goods transport operations between our countries that was signed in Rome. In November 1994, a letter was received from the Italian Ministry of Transport and Maritime Affairs, containing a list of special demands that Latvian carriers must observe when on Italian territory (e.g. limitations on transport routes, prohibition for drivers to take personal belongings such as cameras, tape recorders, etc.).

The above-mentioned examples may be disappointing for us, but generally speaking, our state institutions and our carriers have a positive attitude towards ECMT and the European countries. In view of this, we would like to express our thanks for being given the possibility to participate in this Seminar.

The problems mentioned above are acute not only for the Latvian carriers, but also for other eastern European countries and therefore resolving them is of great importance,

The Assembly of the Baltic countries was founded in order to facilitate and promote these processes, and it has begun working on these problems. Very often, it is simply the lack of financial resources that prevents these problems from being solved. One example would be the "green card" insurance system, which is not yet in operation in the Republic of Latvia, for financial reasons.

We hope that co-operation with other countries, as well as with ECMT, IRU and other European institutions will continue and expand, thus simplifying and facilitating the integration of Latvia into the European transport market.

OVERCOMING BARRIERS TO INTEGRATION OF CEE COUNTRIES' OPERATORS IN EUROPEAN TRANSPORT MARKETS

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1. INTRODUCTION

In every CEE state, there are great problems of transport operation between the East and West. In Slovakia, the main issues are defined by the principles of transport policy. The main areas in which solutions are to be found are as follows:

- legislation and administration;
- technical matters and technology;
- social issues;
- economy and finance.

The above-mentioned principles define the philosophy and the sequence of steps towards achieving integration into the EU, by solving the problems and overcoming the barriers. We can conclude that this certainly will be a long-term process. In Slovakia, the main steps have already been carried out --for example, the demonopolisation of the state sector, creation of a market in all fields of the economy, etc.

2. ECONOMY AND LEGISLATION -- BASIC QUESTIONS

Transport activities are based on the general principles of the market economy, also taking into account the public interest. For this purpose, the

legislative standards of the EU are being introduced, and those economic tools which are not at variance with the general principles of the country and international standards are being introduced. As in the EU countries, where the interest of the whole Union is considered, in Slovakia the relationship between the state and the operator must take public interest into consideration. The existence of a free market does not mean the existence of a market without any rules.

In Slovakia, all issues concerning business activities are regulated by the Act on Assuring Economic Competition, which regulates and protects against the establishment of monopoly conditions or a dominant position by individuals in transport. The state administration bodies have the right to intervene in cases where transport activities violate the principles of economic or business competition, or where there is some infringement of the principles of transport policy.

3. TRANSPORT INFRASTRUCTURE AND ECONOMY

Transport infrastructure in Slovakia has been developed according to the Principles of the Development of Transport, approved by Government Resolution No. 166/1993. (More detailed information about the development of the transport infrastructure in the Slovak Republic can be found in the following documents: Schlosser T. and Schlosser G.: Slovak Transport Policy -- Short overview on Trends and Categories, *Comment Définir des Priorités en Transport (Quels Critères et Proce'dures)*, Barbizon (France), 1993; and Schlosser T. and Schlosser G.: Frontiers in Central Europe -- Overview from the Point of View of Slovakia, *Comment Définir des Priorite's en Transport (Quels Critères et Proce'dures)*, Barbizon (France), 1993. The basic criteria for the development of the transport infrastructure supported by the Government are:

- socio-economic profitability of the project;
- correlation with other projects and structural changes of the economy, including basic environmental factors and concordance with projects of international importance; and
- contribution of the project to the homogeneity of the network in relation to existing and future transport needs.

The basic problem is finding a suitable financing system for transport. Another important point is the general interest in line-construction, in which we must distinguish between state and regional interest. A similar question concerns general public interest **and** local public interest. According to the above, there is **a** need to establish a tax system which will assure a fair distribution of payments from **all** individual users, including those from abroad.

In the case of large investments (for example, motorways), it is recommended that the so-called concession means of construction be used, in which **a** direct payment is introduced to cover the costs as well **as** earn fixed revenues within a given time period.

From the regional point of view there is the question of financing regional and suburban transport. This must be the full responsibility of the regional authorities. **At** present, the state administration is taking care of another important matter -- that is, the transfer or distribution of taxes between the **state** and municipalities.

To create similar conditions in the transport **market**, we have to harmonize the access to financing **of** transport infrastructure, fulfilling the following principles:

- defining unambiguously the contribution of the state and regions;
- defining **special taxes and** payments;
- defining the administrator of the transport infrastructure funds and the rules and regulations for their use.

4. TAXSYSTEM

The only income for transport is special taxes and payments. These should cover the costs of investments, maintenance and administration **of** transport of persons and goods. **Special** taxes (e.g. fuel) and payments (e.g. road tax) only partly cover the development costs of the transport infrastructure, administration (including maintenance) and operation. Funds are created to solve these problems -- however, establishing a fund is one thing (for example, railway infrastructure fund, road fund, waterway fund, civil aviation fund), supplying **it** is another. The aim is to closely follow the cash flow; otherwise large sums of money may simply vanish into the state income. The establishment and use of

these funds has a direct impact on economic development. Efficiency of the transport infrastructure is the basic prerequisite for economic ties within the state as well as toward foreign countries.

The state's own resources could not cover investments in the international infrastructure (high-speed railways, highways); it is therefore necessary to assure the participation of foreign investments. How can conditions for international financing, which will be interesting for investors from abroad as well advantageous for both parties be created? Finding **an** immediate answer to that question is certainly not **an** easy task.

In Slovakia, business and economic changes in transport subjects are influenced by the new tax system, which has been in force since 1 January 1993.

The Slovak tax system is based on links to the international market. A new tax system with strict regulations and rules must be developed in terms of domestic conditions. Improvement of the transport system can be achieved by using a finance tool, created specially for transport activities. Income from these taxes must be put back into transport and related issues, and not into the state budget.

Operators have equal economic conditions. Every operator follows rules which are valid for the EU countries, that is, separate accounting for:

- transport routes (transport infrastructure);
- commercial transport and other services of operators in mixed operations;
- services in passenger transport and transport of goods; and
- services in the public interest carried out by commercial operators.

The tax system in the transport field is determined directly or indirectly from:

- value added tax, including import tax;
- excise duty (consumption tax);
- income tax;
- real property tax;
- road **tax**;
- environmental protection tax;
- act on administrative payments.

5. THE ENGAGEMENT OF TRANSPORT SERVICES IN THE PUBLIC INTEREST

The operators have the explicit outcome in goods/freight transport which is not appropriated. Public mass transport is no less important. Experts from the EU are surprised by the modal split between public transport and individual car transport in the CEE countries. In Slovakia, there is **an** effort to maintain a modal split favourable to public transport. At present, it is not possible to create a financial system. Neither the economic power of the population nor of the state is sufficient. For this reason, engagement in the public interest is defined in terms of engagement **of** operation, transit and tariff.

The **engagement of operation** attempts to encourage the operator to provide services determined by standards of free flow, regularity and capacity. This also includes the engagement to operate complementary services.

The **engagement of transit** is given to operators, to receive and transport passengers and/or goods at specific rates with regard to specific conditions.

The **engagement of tariff** provides for the operator tariffs given or approved by state departments at variance with business interests of operators,

The losses arising from these specified operations in the public interest must be compensated for and must **be** detailed in the contract. This is necessary to ensure legislation in:

- acts on budget rules and state budget;
- acts on cities and municipal constitutions;
- amendments of trade transport acts.

6. TECHNICAL STANDARDIZATION

The main technical principle already approved by the Slovak Government is to harmonize regulations and technical standards with regulations and standards existing in the EU. The main difficulty is in applying the standards.

In Slovakia the standards are legally binding. It is necessary to find some way to enforce them. Slovakia was obliged to introduce consecutively the standards and instructions used in the EU. The creation of new standards or their amendments is necessary, so that they do not go against the current EU rules.

In the area of technical inspection, conditions are not different for accreditation of testing departments and acknowledgement of their results. At present, in different transport divisions, expert-technical inspection is ensured by degrees. Technical inspection stations have already been privatised.

Transport quality is the main priority in this field of services. It is essential that the quality of services offered with the given certificates be ensured. Slovakia has gradually introduced the ISO 9 000-9 004 standards. Given the circumstances in Slovakia, due to the cost of technical equipment, we can only solve our problems step by step.

7. SUGGESTIONS FOR LEGISLATIVE PROVISION TO THE PRINCIPLES OF STATE POLICY IN THE FIELD OF TRANSPORT

To secure the legislative provisions of the principles of state policy in the field of transport, it is necessary to:

(a) Pass the following bills:

- Act on Slovak Railways (accepted);
- Act on Rails (submitted in 1995);
- Act on Road Transport (submitted in 1995);
- Act on Roads and Motorways (submitted in 1995);
- Act on Operation on Roads (submitted in 1995);
- Act on State Road Fund (amendment in 1995);
- Act on Concession and Licensed Companies (presentation by the Government);
- Act on Inland Waterway Transport (submitted in 1995);
- Act on Maritime Transport (submitted in 1995);
- Act on Civil Aviation (submitted in 1995);
- Act on Combined Transport;
- Act on Operation Economy of Cars (submitted in 1995).

(b) To amend the following Acts:

- Act on Business;
- Act on Budget Regulations in the Slovak Republic;
- Act on Trade;
- **Act** on the Protection of Business Competition.

(c) To amend transport regulations for all means of transport and **to** pass new transport regulations for combined transport.

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BARRIERS AND LIMITATIONS FOR OPERATORS FROM CEE COUNTRIES



In their attempts to transform their economies towards a market **system**, central and eastern European countries find themselves in parallel situations and face similar obstacles. Although it is a generalisation, it is adequate to characterise them as underdeveloped in the transport sector. Nonetheless, the present stagnation must be understood as the natural result of 40 years of planned rather than market-orientated economies.

We do not intend to gripe over the unfortunate situation the transport sector has fallen into as a result of these ill-planned economies, but we believe it would **be** a grievous error to approach this stagnation with a unilateral resolution. Each specific mode of transport is underdeveloped in comparison to Western Europe, and is in desperate need of infrastructure development and modernisation. However, not only do different modes of transport require different periods of time to improve their functioning, they also require different amounts of financial assistance to do so, due **to gaps** in their infrastructures.

For example, road transport has developed **as** the most vital mode of transport. From this emerges strong road transport operating lobby groups who pressure the government administrations **against** supporting other means of transport. In addition, the financial viability of road infrastructure leads to superior conditions, with bank and investment loans being granted to road transport, which automatically increases the gap between road and rail sectors (the latter already, from the start, lagging behind in sector development and financial assistance).

In order for CEE countries to progress towards successful economic relations with Western **Europe**, it is imperative that they take serious initiatives

to begin their transition towards a market system (in spite of the economic, constitutional/legal and democratic difficulties they find themselves plagued with), such as the following:

- **Laws on Privatisation:** These are vital to the development of modes of transport, as they are a sure source of reinvestment into the sectors, and thus contribute to their overall progress towards redevelopment and eventual modernisation to western European standards.
- **Social Programmes:** There must be a serious commitment to ensure that the transformations within the transport system will not socially endanger the fragile programmes that will have to be established to protect the labour force (which will have to be drastically cut in some sectors -- particularly rail -- where there is high overemployment) from rapid cuts, which would make them a burden on society. This could be done through programmes of re-education or relocation to other positions where they would not be an economic burden,

Unfortunately, the solution for redeveloping transport infrastructure is complicated. In essence, there is an earnest desire to rebuild all transport infrastructures so that they may become competitive in European markets. Yet, the financial obligations to do so make it necessary to concentrate on rebuilding the infrastructural mode of transport which will offer the quickest and most lucrative reward, so that it in turn may finance the building of other infrastructures. This leads us back to the “road-rail” scenario which began with rail capacities lagging terribly behind road infrastructure’s. The investment return is quicker for road than for rail, and thus we keep developing road transport and reinvesting little or nothing from its dividends into rail transport. As a result, the gap between road and rail becomes wider and -- even with the minor improvements afforded to it -- rail remains distantly behind the already developing **and** more advantageous road transport. This eliminates the possibility of competitiveness with road, because rail becomes an alternative to road, rather than a choice.

The Republic of Croatia finds most of its barriers and limitations in transport operations to be primarily of a financial and domestic nature. Nonetheless, the barriers which present serious limitations to our transport operations are the following:

- **Legal:** Transport operators from new countries face certain obstacles in their transport traffic, i.e. the ASOR Agreement, which favour countries which have signed it over those who have not. Another example is bilateral agreements which, if implemented, carry

- advantages or at least decrease the obstacles to be overcome; but bilateral agreements take time to be negotiated and ratified, leaving no immediate solution to the transit problems.
- **Administrative:** The majority of administrative barriers are domestic and are presently in the process of being modified or resolved through internal means. The administrative barriers we come across in the international sphere are those of limited quotas for road freight transport, which cause immense difficulties in fostering transport and consumer confidence. In addition, different customs documents and inexperienced customs staff can cause obstacles, ranging from needless delays, to heavy losses of revenues.
 - **Economic:** As in many other CEE countries, our competitiveness is not based on efficiency, but rather on drastically reduced prices which, in a sense, creates an artificial competitiveness. This is a short-term occurrence for our market because, although it makes us compatible, it is not helping us to increase our productivity and efficiency. The return on investment is not enough to reinvest and work towards improvement for future growth; it merely keeps us in the market for as long as we can function with the reduced prices.
 - **Financial:** A continual problem which faces all nations, but which is a barrier to most CEE countries, is the high cost of modern technology. In very few cases can modern technology immediately replace old machinery. New Member countries find themselves continually having to bear the high costs of information ignorance. For example, there is the practice of “dirty trade” -- the selling of vehicles which no longer meet Community standards (and must be phased out) to new Members who are unaware that the fleets have been declared unacceptable, and end up investing capital, at high prices, in vehicles which cannot be used for longer than the phase-out period.
 - **Experience:** Unfortunately, in the transport sector there remains a lack of trained professionals who know how to manage the restructuring process, and to achieve -- as rapidly as possible -- the transformation not only towards modernisation, but to a market system.
 - **Logistics:** Logistic concerns were non-existent in planned economies. The market was not manipulated through the selling of goods and services that consumers considered they needed, but rather through selling the consumer goods and services that the government defined as needs, and subsequently provided for the market.

STEPS TOWARDS REFORM

The Government of the Republic of Croatia is fully aware of the complexities and obstacles connected with the transition process towards a market economy, and has taken a number of measures to make this transition as smooth as possible:

- **The programme for economic recovery and revitalisation** has proved to **be** successful and is a direct result of the stabilisation of the national currency (KUNA) in relation to convertible currencies, and of the curbing of the inflation rate which, regardless of difficulties caused by the war, is presently the lowest in Europe. These measures substantially reduce the risk of investment due to changes in the exchange rate.
- **Tax reform**, which is still under way, envisages the introduction of a value added tax (**VAT**); at present there is no tax on equipment. In an attempt to avoid double taxation the process of concluding bilateral agreements has been initiated with a number of countries.
- **A Law on Concessions** has been passed by the Croatian Parliament, and all legislation regarding private entrepreneurship and market economy is being modelled on the legislation effective in western European countries.

With the progress of programmes such as the above, Croatia regards the following measures as essential for the revitalisation of her transport sector:

- The **reorganisation of the railway system** is a national priority. This priority is a prerequisite for any further investment and must be so because the railway system is of immense financial and transport interest; but the neglect and deterioration it has suffered will call for significant financial resources. Nonetheless, with a extremely road-congested Europe, we believe the solution for the future is rail and combined transport -- and given Croatia's desirable geographic position, an effective and modern Croatian rail system can be the link between Eastern and Western Europe. Although the development of combined transport, including inland waterways and maritime transport are priorities, the lack of infrastructure development and equipment put Croatia in a position where it is not fully able to participate in combined transport.

Privatising road operators is definitely a matter of great importance to the Republic of Croatia, and is presently under way. Once road operators become privatised they will themselves increase their levels of efficiency and productivity, to survive in the European market. In turn, this will breed re-investment into their sector -- and not simply the short-term exploitation which is occurring now and is the basis of low prices, and which does not look to the long-term growth of this sector.

- The appropriate **legal framework** which would ensure the protection of the transportation industry in the sphere of domestic industry, and create conditions for the elimination of monopolies which many CEE countries, in their attempt at market reforms, face. Full competition in the transport sector is essential if it is going to develop as a prosperous entity.

EUROPE'S RESPONSIBILITY TO CEE COUNTRIES

CEE countries who find themselves caught in the turmoil of market reform require assistance from experienced Western nations to ensure that the transition is as smooth and successful as possible. The West must not disregard the importance their assistance carries for these nations, nor the legislative and financial support necessary to them to achieve the transition.

Financial support for projects should take into consideration elements such as external costs and estimates of the **future** increase in transport demands. We hope that in the future, the location of production will play a secondary role to the efficiency and quality of production.

Finally, Europe should include CEE countries in the Common Policy of Development.

MAIN PROBLEMS AND BARRIERS BETWEEN EASTERN AND WESTERN EUROPE IN INTERNATIONAL TRANSPORT

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The development of international road transport in the Republic of Moldova is characterised by the increase in the number of economic organisations which are emerging in this field. This is due largely to the conditions created by government policy, oriented towards the transition towards a market economy and, consequently, to **the** creation of new fair and anti-monopolistic possibilities for professional transporters with vehicles, as well as for those wishing to invest in transport.

According to recent statistics (1993-1994), the volume of international transport continues to grow more rapidly than domestic transport, due to open borders between the Republic of Moldova and the CEE countries. **As** the economic **and** social integration of Moldova in this region continues to progress **in** the coming years, there will be an increasing need for an expansion of infrastructure and co-ordination with international standards and regulations. The surplus travelling points from the West and East is one of the greatest problems in increasing the effectiveness in international transport. **At** the same time, this year we are facing a number of new problems related to the dropping of barriers for the transport of goods to Western Europe. These problems are as follows:

- **Exchange of authorisations:** For the first time, Moldova **has** carried out **an** exchange of authorisations **with** all the countries of Europe. **It** should be noted that until 1995 all authorisations were dispensed by Moscow, which controlled the entire former Soviet Union. Today, the countries of the former Soviet Union have become third parties.

Given this situation, I fervently hope that the exchange of authorisations will continue at least for 1995-1996, until Moldova can enter into the new process, especially as regards Germany, Greece, Italy and Turkey.

- **Bilateral agreements:** We are confronted with many problems related to bilateral agreements. In the last two years, Moldova has signed agreements with only **six** countries, which is why we would appeal to our colleagues to review ways to speed up this process.
- **Visas:** We have great difficulty obtaining visas, and we hope that the ECMT will contribute to the drafting of a law which will help solve this problem.
- **Infrastructure:** As the ECMT has a very great influence on international transporters, I believe it would be welcome if the ECMT itself became more involved in certain infrastructure-related problems. I am thinking particularly of the credits allocated by the **PHARE** and TACIS programmes on the modernisation of border crossings. For example, PHARE has allocated US\$1 million to Romania to solve this problem, while no money can be found for the Republic of Moldova -- in other words, the final results of this programme have not yet been accomplished.
- **Modernisation of terminal points:** It would also be good if ECMT became involved in terminal modernisation which would facilitate the transport process between the East and the West as well as the means with which to finance them.
- **Combined transport:** It is also important for us to know how to use combined transport. Several countries in Central Europe and in the West are involved in this process, but we believe it would be good to have the same programme for the whole of Europe. For example, from the point of view of road safety, it would be best for us to travel through Ukraine and Central Russia using combined transport, especially railways.
- **TIR:** At the end of 1994, the IRU decided to increase the taxes for a TIR Tobacco-Alcohol logbook by US\$50 000 to US\$2 million, and to introduce green logbooks for transporters of goods such as milk, meat and sugar. We strongly hope that the difficulties that the new Member States of the ECMT presently face will be taken into consideration and that the terms of the existing Resolutions will be extended, not made more complicated or strict.

IV. Ways Forward

APPROXIMATION OF TRANSPORT LEGISLATION FOR THE CENTRAL AND EASTERN EUROPEAN COUNTRIES

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1. THE LEGAL/INSTITUTIONAL BASIS

The approximation of laws in central and eastern European countries (CEE) to those existing in the European Union (EU) is an essential precondition for these countries' gradual integration into the EU. It is also important to recall that approximation will also benefit economic operators in the EU to the extent that it will eventually lead to market conditions in the CEE countries which will be similar to those prevailing in the EU.

The Europe Agreements concluded with the Associated CEE countries contain the obligation for these countries to approximate their legislation to that in the EU in specific areas. The agreements also envisage a general approximation in a wide number of areas pursuant to the objective of their economic integration into the EU. The Copenhagen European Council of June 1993 has confirmed the importance of approximation as a means of integration, and this subject is dealt with again in the communication from the Commission to the Council entitled "The Europe Agreements and beyond ...", which was adopted in July 1994. It is envisaged that accession negotiations start after the 1996 Inter-Governmental Conference (IGC). Harmonization of legislation was also confirmed as a central instrument of the Union's pre-accession strategy by the European Council in Essen.

Specific objectives and procedures for the approximation of legal and regulatory frameworks of CEE countries' transport sectors to the relevant legislation of the Community are laid down in a number of articles of the Europe Agreements. Title IV - Chapter 111, Supply of Services, states that

Associated Countries shall progressively adapt their legislation, including administrative technical and other rules, to that of the Community legislation existing at any time in the field of air and inland transport, insofar as it serves liberalisation purposes and mutual market access objectives and facilitates movement of goods and passengers.

Title V - Chapter III contains a broader recognition of the importance of the approximation of laws in the field of transport generally, without reference to specific sectors. Furthermore, in the Economic Co-operation Title VI, transportation is given specific importance *inter alia* by providing that the Parties shall develop and strengthen their co-operation so as to enable Associated Countries to achieve operating standards comparable to those in the Community. The co-operation shall include, in particular, exchange of information, technical assistance and legal training programmes. Co-operation shall include as a priority area the development of legislative measures and the implementation of policies in all areas of transportation, compatible with transport policies applicable in the Community.

Although not specifically mentioned in the Europe Agreements, the development of interoperable Trans-European Networks of mutual interest, as provided for in Article 129 c3 of the Treaty of the Union, also implies a certain approximation of laws and standards regarding infrastructures and their operations.

In addition, Chapter III, Supply of Services, provides for the negotiation of transport agreements dealing with conditions of mutual market access in air transport and in inland transport (to be negotiated after the entry into force of the Europe Agreements) with a view to assuring a co-ordinated development and progressive liberalisation of transport between the Parties adapted to their reciprocal commercial needs. These agreements will require provisions on the harmonization of laws in order to implement the general harmonization provisions in the Europe Agreements. Since the liberalisation of mutual market access presupposes a certain degree of convergence in relation to the legal provisions governing the competitiveness of enterprises, rules on access to the profession and licensing of enterprises, technical, social and safety conditions as well as on certain aspects of taxation, competition and state aids, will need to be included in a wider process of progressive harmonization of laws.

The specific objectives and procedures of the Europe Agreements relating to the approximation of transport laws must take into account ongoing work on

transport harmonization in international fora, such as the United Nations Economic for Europe and the European Conference of Ministers of Transport (ECMT), in which the Community and its Member States, as well as Associated Countries, are involved.

2. ACTIONS UNDERTAKEN OR UNDERWAY

The Commission has already undertaken a number of actions which facilitate the harmonization of transport legislation of Associated Countries with those of the Community. Since 1989 a series of meetings, in particular in the framework of the transport subcommittees set up under the Interim Europe Agreements, has taken **place**, during which information on Community legislation in transport was provided. Special attention has been given to road transport, where the Commission has proposed a mandate for negotiations on market access with CEE countries. A broader, non-sectoral approach has been taken in the context of technical assistance provided by the PHARE programme. The opening of Community programmes on transport research, such as the COST programme, will also contribute to a gradual harmonization of technical standards and the strategic research part of the 4th Framework programme.

In the field of road transport, the mandate proposed by the Commission contains harmonization objectives relating to:

- the administration of road transport, relating essentially to the necessary documentation and to definitions of types of passenger transport;
- access to the profession;
- weights and dimensions;
- tolls, road taxes and other charges;
- social conditions,

In December 1992, the Council granted the Commission a mandate to negotiate an inland waterway agreement between the Union and interested third countries. The basic approach envisaged by the Commission is the establishment of common rules allowing for the fullest possible realisation of free movement of goods and also serves as the harmonization of competitive conditions.

The Commission has intensified the dialogue on approximation of transportation laws with the Associated Countries, both in the context of market access negotiations and in the context of the specific provisions of the Europe Agreements on approximation of laws, which serve the purpose of integrating the Associated Countries as Members of the Community. Efforts focus on assisting them to design and implement institutional and regulatory systems to deal with transport operators, markets and infrastructures. PHARE assistance is essential, especially in relation to drafting and implementing legislation compatible with that of the Community.

The Commission is currently preparing a White Paper on key legislative measures of the Single Market. The purpose of this initiative is to prepare the CEE countries for accession negotiations. The context is constructed in the narrow sense of legislative approximation relating to the internal market without reference to trade implications for the parties. This approximation will be supplemented and placed into the context of a strategy for accession by a structured and foreseeable programme of measures laid down and managed by the countries themselves. Each CEE country is at a different stage of economic and political development. The infrastructure for administration and enforcement of legal provisions varies widely from country to country. Therefore, on the basis of the priorities identified in the White Paper and the individual country programmes, an agreed approximation programme for each country would be drawn up, to be supported by appropriate technical assistance from the European Union.

Specific proposals for managing and monitoring the process of legislative approximation will also be put forward.

The Commission has had discussions with the Associated Countries in the framework of Joint Committees and the White Paper, and work programmes on the approximation of laws for all transport modes have been drawn up, to serve as guidelines for future work, an instrument to monitor progress in this area and help define the needs for technical assistance. A first step in these programmes is the analysis of the transportation law systems in order to determine priorities for progressive approximation. The degree of liberalisation of market access in the different sectors and the progress of market access negotiations will have to be taken into account in determining these priorities. In the longer term, approximation will, for the pre-accession CEE countries, need to go beyond the level needed for market access agreements, to prepare Associated Countries for full membership in the Community. It should be recalled, however, that harmonization, especially of technical and safety rules, may involve costly

adjustments, and, in order to soften the impact on the transport industry, a gradual introduction of laws would need to be considered, beginning very soon.

The **PHARE** programme has conducted a number of general comparative studies on transportation laws of the Associated Countries **and** those of the Community, and advice has been provided on the possibilities for a phase-in approach to the harmonization of transport legislation.

A number of Community programmes in transport research are underway with the aim of developing common technical standards to improve the economics of Europe-wide provision of transport services. The Associated Countries already participate in a number **of** these programmes, such as COST, and the modalities of their further involvement in the 4th Framework programme are currently being discussed.

The implementation of the results of these programmes in transport research, which the Commission proposes to open to Associated Countries, are being discussed with a view to promoting common technical standards. Community programmes, which serve to transfer knowledge on the implementation of Community transportation law between administrations, might equally be opened up to Associated Countries in order to achieve the practical results intended by the process of harmonization.

TOWARDS THE INTEGRATION OF CENTRAL AND EASTERN EUROPEAN HAULIERS IN THE EUROPEAN TRANSPORT MARKET

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1. TRAFFIC DEVELOPMENT

1.1 Overall economic situation

After years of dramatically falling economic output, it seems there might be some improvement in 1995 in most of the countries of Central and Eastern Europe. According to experts, Albania, the Czech Republic, Hungary, Poland, Slovenia and Estonia might be heading the recovery race. Russia, if the present serious political problems can be overcome, might join Bulgaria, Romania and the three Baltic States as countries where economic decline might significantly slow down. Other countries, mainly the Republics of the former Soviet Union, are still having great difficulties, for various reasons, in stopping and reversing the trend of economic decline.'

In spite of the general economic depression characterising eastern economies, East-West trade relations have significantly grown in importance due to the wide-ranging restructuring taking place in international economic co-operation.

1.2 Transport performance

It is well known that there is a very close link between overall economic performance and transport. With regard to national freight transport performance, I would like to present only two examples. In Hungary, a member of the group of countries that is probably facing quicker economic recovery, the

performance of all transport modes was almost 40 billion tonne-kilometres in 1990. The figure dropped to 29 billion tonne-kilometres in 1993 (-27.5 per cent). According to forecasts, it will increase to 30 billion tonne-kilometres in the year 2000. Within three years, road transport became the dominant transport mode in this country in tonne-kilometres as well as with regard to weight carried (which has long been the case), representing a market share of 39 per cent in 1990, 44 per cent in 1993 and 50 per cent in 2000 (forecast).²

It is also worth looking at traffic developments between East and West as a logical consequence of growth in trade volumes. According to one of the latest forecasts on the subject, total East-West transport of 73 million tonnes in 1990 may increase to 175 million tonnes by the year 2005 (this is an optimistic scenario). The share of road transport will grow from the present 30 per cent to around **62** per cent of the goods carried.³

2. GENERAL POLICY GUIDELINES OF THE IRU

The importance of these quantitative and qualitative changes in the role of road transport in Central and Eastern Europe and in traffic between East and West was acknowledged by the International Road Transport Union (IRU) and its member associations in a Resolution adopted in April 1994, which recommended to CEE governments that they accede to international transport conventions signed under the auspices of the United Nations Economic Commission for Europe -- e.g. the Vienna Convention, the **AETR** Agreement, the **TIR** Convention, the ADR Agreement, the Convention on the Harmonization of Frontier Controls of Goods, and the CMR, which form the basis of international co-operation in the field of road transport.⁴

In the same Resolution, addressed not only to CEE governments but also to their western counterparts, the European Commission and international organisations, the following policy guidelines regarding East-West road transport relations were proposed:

- progressive liberalisation of access to the international transport market by CEE operators, with a parallel gradual introduction of conditions for access to the profession in CEE countries similar to those prevailing in Member States of the European Union;

- free choice of the mode of transport by users corresponding to the philosophy of free and fair competition in social market economies;
- protection of the environment without jeopardising economic performance, non-discriminating, rational and transparent fiscal measures based on the effective use of road infrastructure, abolition of transit taxes of all kinds as being arbitrary, gradual harmonization of other fiscalities (fuel consumption tax, vehicle tax) affecting transport;
- strict compliance with multilateral conventions, some of which have been referred to above.

2.1 Comparative advantages -- a condition “*sine qua non*” of international co-operation

After pronouncing the above positive words about general policy guidelines, which in theory are also approved by international institutions, governments and even competing transport operators, we must now face everyday reality. One of the crucial practical problems of great impact on the pace of all-European integration in road transport is that eastern operators are often accused of being much less expensive than their western counterparts, thus offering dumping prices which nobody can compete with. Examples are often quoted of the important differences with regard to say, wage levels.

What is often forgotten, however, is that price is not the sole decision-making factor considered on the market. Price differences can be and often are compensated or aggravated by other qualitative factors of services offered.

Furthermore, an absolute international harmonization of all conditions is neither possible, nor desirable. According to classical economic theory, comparative advantages (and disadvantages) make international co-operation and trade function. Of course, I do not want to approve irrational price-cutting and dumping **prices**, but it cannot be denied that advantageous conditions for a certain economic activity in a region or a country, which derive from the general economic and social setting, are not just the result of manipulations of costs and figures by **some** individual transport operators.

It is also worth remembering that comparative advantages and disadvantages are not eternal and that they change in space and time as a consequence of general social progress.

The conclusion to be drawn from the above is that individual economic decisions -- risky but potentially beneficial if investing in one economic activity, sad and sometimes even tragic if retreating from another -- with an undoubtedly great impact on the personal well-being of individuals or groups of people, should be looked upon less subjectively and more from the point of view of macro-economics and general social progress.

This cannot be otherwise in the case of transport. Total social benefit is achieved only if the transport operation is made by the company offering the best available conditions on the market, all aspects included in the analysis.

3. THE BARRIERS

3.1 Access to the profession

Not all barriers are negative. If fixed at a rational level, they can contribute to the development of the road transport industry. For example, those persons wanting to become road hauliers should first, obviously, fulfil the national conditions of access to the profession.

While in the European Union, in general, the three basic qualitative conditions of professional competence, financial aptitude and personal reliability are required (over and above general requirements for establishing a company as an economic entity), the picture in Central and Eastern Europe is much more colourful.

It seems that qualitative regulation is also the best means for non-EU countries and their governments. But this type of regulation is far from being perfect. This has become especially clear recently in the midst of economic recession. For example, a weak point in EU regulations is to be found in its implementation, which differs from Member Country to Member Country.

In spite of all these contradictions, a step-by-step introduction of similar regulation principles in CEE states is probably unavoidable. In fact, in most of these countries the euphoric period of "*Zaisserpasser, Zaisser faire*" of total deregulation, a sort of "*ex lex*" situation, after long decades of over-regulation and centralisation, is over. Regulatory activities have started everywhere, although in most cases, the regulation of access to the profession for hauliers on the domestic market is still completely missing. But it is true for those

operators who want to participate in international traffic -- in the majority of countries they must have a special operator's licence, technically sound vehicles, bilateral transport permits, TIR carnets, etc.

Temporary exceptions to an excessively liberal approach and special solutions, as compared to "pure" qualitative regulations are, however, admissible and even advisable, in order to stop or avoid -- if that is still possible -- the over-saturation of capacity supply. In my opinion, these can go as far as temporary quantitative limitations on access to the profession. Such preventive measures do much less harm to the individuals and the transport industry as a whole than irrational over-capacities with their disastrous consequences on players in the transport market and the quality of services offered.

In this respect, another interesting subject is how foreign entrepreneurs can set up business in another country. This is a special aspect of the conditions of access to the profession, as well as to the market, by foreigners. Transport, like other sectors of the economy, is becoming more and more international in its operational and ownership structure. When it comes to setting up business in another country, the first consideration is the demand by the shippers for such a move. In fact, there is a growing demand for such logistical services which can be met only by a highly sophisticated international organisational structure including, if necessary, outlets in foreign countries. Fiscal and other considerations -- e.g. differences in cost levels as mentioned above -- important and attractive as they might be, should, and in most cases do, come second. Another important issue is the extent of privatisation of the industry in Central and Eastern Europe. In some countries this has practically been completed (e.g. Czech Republic, Slovak Republic); in others there are still some major road transport companies facing privatisation (e.g. Hungary); and again in others, only a formal company reorganisation of state companies has taken place -- they have become state-owned limited companies or share-holding concerns without essential changes in company management. In any case, the share of the market earlier dominated by state companies has diminished almost everywhere, thanks to the newly established private companies which are actively taking over.

3.2 Access to the market

Many of those conditions having an impact on access to the international transport market by CEE hauliers have a restrictive character, most of them restricting East-West as well as East-East traffic development.

This market segment is still strictly regulated by **bilateral agreements and licensing requirements**. These arrangements very often influence in an unacceptable way -- especially with restrictive provisions on transit traffic -- trade between one party in the “mutually advantageous bilateral arrangement” and third countries. Furthermore, “mutual advantages” in bilateral traffic mean the determination of permit quotas at the lower level needed by one of the contracting parties.

However, more and more of these countries can now enjoy the benefits of multilateral permits under the *aegis* of the ECMT, although the limited number of such permits does not cover the real needs.

A further difficulty comes from the **visa obligations** for professional drivers employed in international traffic in countries not having concluded agreements on the mutual abolition of this obligation. In general, there is no preferential treatment of professional drivers, (although they would deserve it, **as** they are more than just tourists and their number is very limited), and this very often causes delays and significant organisational problems for transport operators in both the East and the West.

Fiscality very often goes hand in hand with quota arrangements. Many taxes and fees are of arbitrary character -- e.g. in newly independent countries -- as if invented in the Middle Ages. They do not have much to do with protection of the road network or the environment in these countries, given their irrational level --they change often for no special reason and are often applied in a non-transparent and discriminatory manner. In this respect, eastern operators also have to face another challenge in the five EU Member States introducing a new road use charge as from 1 January 1995. In most of the western countries, compensatory tax measures have been introduced, but, as is often the case, not in a harmonized manner, and eastern operators simply have no chance of receiving any sort of compensation from their national tax authorities.

In analysing barriers to international transport and therefore trade, another important issue is the non-availability of **good quality infrastructure networks and border crossing facilities**. The length of motorways in Central and Eastern Europe is around 6 300 kilometres, consisting of individual sections not interconnected into a network. It is well known that the length per square kilometre or population of motorways in Central and Eastern Europe is significantly below that in Western Europe. It is, however, true that the low (albeit increasing) traffic volumes do not require the construction of high-standard motorways everywhere.

The explosive increase of international road traffic, including that of trucks, has made existing border crossing capacities totally outdated. The situation is very problematic on the German borders with the Czech Republic and Poland, on the borders between Hungary and Romania, Romania **and** Bulgaria, in the Balkan East-West corridor (Bulgaria-Former Yugoslav Republic of Macedonia-Albania) and also on several frontiers between former Soviet republics.⁵ On these borders, monthly average delays for trucks are between 10 and 20 hours, with peak waiting times frequently reaching 24 to 48 hours or more. According to a study⁶ questioning Dutch firms on the problem, the monthly average financial damage per **firm** caused by long idle times at borders in Central and Eastern Europe, is more than Gld 11 000.

Looking at another set **of** conditions, it is also widely known that the average technical construction and maintenance standards of the national vehicle fleet in most of the CEE countries is lagging behind the European norms. Domestic legislation in these countries is, however, constantly being revised by bringing it **up** to international regulations (UN and progressively EU standards). This is true in particular with regard to vehicles used in international traffic, as mentioned above. In countries with a national truck manufacturing industry, steps are also being taken to apply these standards for the construction of new vehicles.

Many small and medium size operators cannot afford modern import vehicles due to lack of appropriate capital resources, a phenomenon which also reduces the possibilities of renewing the national vehicle construction industry.

Legislation is also being revised in several countries of the region concerning the technical inspection of vehicles. Several western European countries have introduced strict, sometimes excessive, controls on vehicles coming from the East. The recent entry into force of certain international regulations, e.g. the one on the compulsory application of the tachographs as from 24 April 1995 according to the AETR Agreement, also requires additional efforts from CEE operators.

4. THE SOLUTIONS

The IRU's answers to the above-mentioned problems are the following:

- Multilateral conventions should be adopted and observed by all European countries, including members of the EU, as an initial basis of harmonization on a European scale (see a short list of the most important legal instruments below).
- Conditions of access to the profession should be brought in line in CEE countries with those in the EU, but only step-by-step, with appropriate adaptations to local circumstances; excessive liberalisation should be avoided.
- In formerly planned economy countries the process of privatisation should be continued and completed in road goods transport in international traffic, multilateral permit arrangements should replace bilateral quotas.
- Professional drivers should receive annual multi-entry visas for countries where visas are required.
- Rational, simple and non-discriminative fiscal measures should replace the present, often chaotic, systems.
- International organisations (including the European Commission and international banks) as well as governments in both parts of Europe should continue and even intensify investment activities regarding the development of the road infrastructure in the region. Good examples to follow are the activities related to the customs corridors through the Balkans and the preparatory activities regarding the nine priority transport corridors linking western networks to Eastern Europe.
- Regarding technical standards, the basis is the Convention on Road Traffic (Vienna Convention) and its European supplementing agreements; the IRU cannot agree with an unconsidered revision of this basic document by imposing standards of the 1958 Agreement concerning the Adoption of Uniform Conditions of Approval and Reciprocal Recognition of Approval for Motor Vehicle Equipment and Parts (1958 Agreement) and its annexes on contracting parties of the Vienna Convention, without due and fair consideration of industrial and transport interests in both parts of Europe.
- In parallel with intensifying conditions of access to the profession in Central and Eastern Europe, training efforts should be reinforced as a priority for transport company managers and other staff members -- e.g. drivers, in particular those employed in dangerous goods transport; governments concerned should require and the

European Commission and other donors should grant more funds from the PHARE and TACIS assistance programmes for professional training in transport.

- Associations should act like guilds of centuries ago by, among other things, protecting the interests of members against the outside world -- regarding excessive measures of intervention by authorities, but also against fellow-operators (members or non-members of these associations) who do not keep to the rules of the game, (e.g. by entering into unfair competition or, worse, wilfully committing infringements on national or international regulations); the situation whereby a minority could threaten the interests of the great majority of honest operators should be prevented.
- Local and regional co-operation between operators in Central and Eastern Europe should be strengthened following the necessary revival of economic ties between neighbouring countries in the region.
- Joint ventures between western and eastern counterparts should be promoted along with other sorts of business co-operation; conditions for foreigners to set up business in another country should mutually be liberalised and encouraged.
- Investment facilities should be made available to transport operators for vehicle fleet development purposes -- in this respect, the resistance of international banks to finance “pure” fleet development projects should be overcome; credit facilities should also be available to local vehicle manufacturers who could partially meet local demand for more up-to-date vehicles; **this** would help the development of the national transport and vehicle manufacturing industries alike.

The IRU, with its member associations in all European countries, including 20 national associations in Central and Eastern Europe, has greatly intensified its efforts in the last couple of years to build bridges between transport companies in the West **and** the East. Examples of such activities can be found in the field of political representations **and** lobbying, international information exchange, training, facilitation of border crossings, maintenance, continuous management and improvement of the TIR customs system, etc. It is expected that the relevant activities of this organisation will also be completed by sub-regional co-operation by interested associations.

Central and Eastern Europe will remain one of the regions treated as a high priority by the IRU, where it wishes to cooperate with all interested parties, including those representing other modes of transport, with the aim of achieving an all-European transport system embracing eastern and western operators alike, seeking their role and place in this huge market.

NOTES

1. Business Central Europe, January 1995.
2. UN ECE TRANS/WP.5/R.58/Add. 9, 22 July 1994.
3. NEA, NL, December 1994.
4. IRU Resolution of 15 April, 1994.
5. IRU Databank.
6. Problems of Dutch Hauliers with border crossings in Middle and Eastern Europe, TLN, 1993.

INLAND WATERWAY TRANSPORT WITH CENTRAL AND EASTERN EUROPEAN COUNTRIES



As European countries move closer together and as rising levels of internationalisation and trade strengthen the economic ties between them, demand for transport services is also growing fast. This trend, demonstrated by developments in the last decade, is borne out by all forecasts. The process has accelerated as a result of the political and economic opening-up of the central and eastern European (CEE) countries and the introduction of market reforms.

Transport infrastructure is insufficient, in both quantitative and qualitative terms, to meet rapidly growing demand. From this standpoint, inland waterway links to CEE countries offer an ideal solution for freight transport: the Oder provides access to Poland, the Elbe to the Czech Republic and the Danube to the whole of Eastern Europe. The opening of the Main-Danube canal in September 1992 brought a new dimension to Danube shipping, creating a single 3 500-kilometre inland waterway from Rotterdam to the Black Sea linking 15 countries, making it possible to transport freight in a way that is at once environment-friendly, cheap and safe.

All traffic between EU Member States and CEE countries affects Germany, either because German ports are used for loading and unloading, as is the case with two-way traffic for example, or because freight crosses Germany in transit. Rules concerning the economic, social and technical conditions under which this traffic takes place are set out in bilateral agreements between Germany and the CEE countries. The most important of these rules are that each partner should carry an equal share of two-way traffic between the CEE countries and Germany, that freight prices should be fixed and that cabotage is not in principle

permitted unless individual authorisation has been sought and granted. As a rule, authorisation will be given only if there is no available capacity in a vessel from Germany or another EU country.

Other EU Member States have also concluded bilateral shipping agreements with CEE countries. In 1992, the Council of Ministers mandated the European Commission to conduct negotiations with third countries on terms for the regulation of inland waterway transport and to conclude a multilateral agreement. The Commission's efforts are directed towards a liberalised transport market that would allow non-discriminatory access, including for CEE vessels, freedom to set prices, and connecting cabotage after two-way traffic within the EU. However, the original intention of concluding an agreement of this type between the Commission on the one hand and all the CEE countries on the other cannot be regarded as feasible for the foreseeable future. For that reason, the Commission is currently negotiating only with the so-called Visegrad countries (Poland, the Czech Republic, Slovakia and Hungary), with the aim of reaching a suitable agreement. The most recent round of negotiations took place on 10 March 1995.

The west European inland waterway transport industry, especially in Germany, is opposed to this development. Its opposition rests on the principle that a liberalised transport market with freedom of access must be based on a harmonized regulatory environment and similar conditions of competition. This is not the case at the present time, nor is it likely to be in the near future, because cost structures in the CEE countries are still very different from those in the EU countries. Full liberalisation of markets cannot be justified until the CEE countries' economies have progressed further and until conditions are closer to those in the West.

Business relations between German and other EU inland waterway carriers and CEE countries have expanded rapidly since the opening-up of Eastern Europe. Existing contacts, especially those of carriers that had already been using the Danube for years, provided the starting point: market surveys, exchanges of trade delegations and actual canvassing for custom from agricultural trade organisations, power stations and steelworks. Although their business partners were initially state enterprises, the situation has since changed considerably. Semi-privatised and private companies are entering the market in growing numbers. As the pace of growth increases and economic expansion takes root, so private sector elements become more visible. Know-how increases and trading practices converge, given a helping hand by co-operation

agreements or joint ventures between western and eastern companies. The trend is heartening even if the process, pursued with different levels of commitment in different countries, can often seem too slow for western partners.

Demand for transport in the context of trade with the Danubian countries originates both with western shippers and carriers and with eastern forwarders and shippers, but a clear trend is emerging for shippers to deal directly with inland waterway carriers in third countries. The most important factor when contracts are being negotiated is the price. The prices set by bilateral agreements include a margin mechanism which makes it possible to counter proposals from competing transport modes in a flexible manner. Margins are determined by joint committees made up of government and industry representatives from each of the countries concerned. German companies are regularly inspected to ensure that they comply with the set prices and operate within the framework of the margin mechanism. Identified breaches of the rules, with contracts priced below the set tariffs, are evidence of the pressure exerted by the shippers on inland waterway carriers. Price checks in the CEE countries, on the other hand, are practically unknown.

The aim of providing low-cost transport implies an attempt to pair as many freight movements as possible. This objective is achieved to an encouragingly large extent for transport to and from the Danube. In 1994, the volume of inland waterway trade with the Danubian countries amounted to 3.3 million tonnes: 1.8 million tonnes, mainly ore and scrap metal, fertiliser and animal fodder, were shipped to the Danube, while 1.5 million tonnes of iron, steel, non-ferrous metals and agricultural produce were shipped back. The first regular container lines, such as the Danube Container Service from Vienna to Antwerp and Rotterdam, have been introduced and are operating successfully. Ro-ro traffic, sometimes referred to as the "floating motorway", is particularly significant on the Danube. Bulgarian catamarans were, and still are, in the vanguard here, though German and Austrian carriers are becoming increasingly involved in this growing market segment.

The picture as regards traffic with Poland and the Czech Republic is rather different. Traffic with Poland, mostly involving construction materials and, to a lesser extent, coal, shipped via the Oder to Berlin, has almost passed the three-million-tonne mark. Parity has not yet been achieved, however, since only around 200 000 tonnes of mostly iron and steel products are shipped back to Poland. The freight is transported using self-propelled craft of up to 1 100 tonnes and pushed barges of between 400 and 500 tonnes. Traffic with the Czech Republic has been severely handicapped by the low level of the Elbe,

with access on many days of the year being restricted to craft with a shallow draught or reduced loads. During the summer months, inland waterway traffic regularly has to be suspended for weeks on end.

Even after construction of the Main-Danube canal, low water levels on the Danube still cause bottlenecks in some places. One such stretch is on the German section between Deggendorf and Vilshofen, where passage at the maximum draught of 2.50 m is impossible for around 210 days a year; other bottlenecks include the Wachau section in Austria, the section between Vienna and Bratislava and the section below the Kabcikovo power station.

Enlarging these sections is one of the Danube Commission's major concerns and forms part of planned EU measures in connection with the trans-European transport network. Hopes of rapid progress in this area have foundered, however, partly due to a lack of financial resources and partly because of lengthy planning procedures, introduced so as to take environmental considerations into account.

Despite enthusiastic efforts, infrastructure facilities at eastern ports still fall far below the necessary standards for the rapid and efficient transshipment and intermediate storage of goods. As before, the picture varies considerably from place to place. Development has been rapid at many ports, like Bratislava and Komarno; at others, quay redevelopment projects are at a standstill and there are insufficient loading and unloading facilities, storage tanks and silos.

The trend towards modernisation must and will continue, with the aim of developing multi-functional transport centres at points where the three transport modes (ship, rail and road) intersect. Governments in the CEE countries are beginning to appreciate the importance of their role in this task and are actively supporting such projects at their ports. Increasingly, the projects involve cross-border co-operation agreements and joint ventures with western ports and companies. CEE countries would undoubtedly like to see western carriers taking shareholdings in domestic companies and providing capital, though the extent of their willingness to accept western managers or western majority ownership differs considerably and sometimes encounters government reluctance.

The shift from a state-controlled economy to a market economy naturally exposes many flaws in the system, which may show up for example in the form of organisational deficiencies, lack of know-how and extended loading and unloading times. Costs are higher in comparison with western ports as a result,

putting pressure on the growing number of private companies in third countries to be more cost-effective. The introduction of western European practices such as agreed laytimes and the payment of demurrage are already being discussed.

Fleet structures in the west and east also display considerable differences. Self-propelled cargo vessels are rare on the lower Danube. Towage predominates and even pushed barges are of secondary importance. Convoys of up to 24 barges are not uncommon.

Locks on the middle and **upper** Danube are significantly wider than locks built to west European standards. Tow and pusher tugs are thus unable to navigate on west European waters not only because they do not meet the technical specifications but also because they are too wide. Access **to** the **Rhine** is currently restricted to a relatively small number of craft. For that reason, the main areas of activity of the Danube *fleets* **will** continue to be the Danubian countries and links with eastern countries. This also allows their different structures, based on local technical and navigational factors, to come into their own.

Thus, most merchandise trade between the Danubian countries and the European Union is carried by EU vessels. The German Danube ports, especially Regensburg, clearly constitute an exception, since they are frequented by craft from eastern countries. **At** these ports, goods are transferred either from one craft to another or onto rail. The General Director of the Danube Commission, Dr. Helmut Strasser, has found that in 1992, in the class of vessels with a deadweight of 1 000 to 1500 tonnes, only 34 Danube craft had a Rhine navigation certificate and were both suitable **and** authorised to *carry* goods between the Danube and Rhine systems, while 1245 Rhine craft could use the Danube. This ratio will doubtless change in due course and traffic will increase.

The pace of growth would already have been faster had it not been for the United **Nations** embargo on Serbia **and** Montenegro. The Balkan conflict, the embargo **and** counter-measures taken under international law, such as charging navigation fees, have had a distinctly dampening effect on the growth of shipping. The embargo led initially to **a** months-long interruption **of** transit traffic on the Danube; subsequently, vessels were cleared only after authorisation had been granted. Even now certain classes of goods that were traditionally carried on the Danube have either disappeared from the waterway altogether, like coal, or *are* subject to an authorisation requirement, like ore. Danube shipping has suffered lasting damage as a result. To some extent, goods flows have been reorganised and redirected, New links between Rotterdam,

Austria and Hungary have been established; transit traffic via the middle and lower Danube has been interrupted and new road and rail links via Adriatic ports have taken its place. Let us hope for a quick end to the Balkan conflict so that sanctions can be lifted and inland waterway transport links restored.

The economies of eastern Europe, after an initial slump, have long since begun to recover following the introduction of reforms. The more actively and successfully they pursue the road towards a market economy, the more their need to shift goods transport onto inland waterways will increase.

The Economics and Social Geography Institute of Vienna's School of Economics has published a highly optimistic forecast of transport across the Austrian border to and from the southern Danubian area. According to the study, the volume of trade is likely to reach some 45 million tonnes by 2010.

Harmonization of the different legal systems is one important prerequisite if such a positive development is to come about. The conclusion of transport contracts is rendered more difficult by questions of liability. At present, eastern European insurers are often willing to provide coverage only as far as Bratislava or Komarano/Komarom. For journeys beyond those points, shippers have to pay substantial extra premiums and assume a higher level of own risk.

The efforts of the Central Commission for the Navigation of the Rhine to bring about an agreement on freight transport by inland waterway are thus to be warmly welcomed. At present, the Central Commission for the Navigation of the Rhine is considering calling an intergovernmental conference to discuss an "agreement on freight transport by inland waterway", which already exists in draft form, with the aim of ensuring its transposition into law as quickly as possible.

As early as 1992, the "European Inland Waterway and Transport Declaration" ratified by the pan-European conference of transport ministers in Prague referred to the need for harmonization. Co-operation in navigation on the Danube on a partnership basis presupposes the creation of a common European waterway system with unified rules and regulations. Consequently the "European Inland Waterway and Transport Declaration" also calls for:

- institutionalisation of the entire European inland waterway network taking into account environmental considerations and combined transport;
- the identification and remedying of shortcomings and bottlenecks in the European waterway network;

- provision of the requisite financial resources for essential investment;
- the gradual opening-up of the European inland waterway transport market;
- harmonization of technical, professional and social standards so as to permit non-discriminatory transport.

Many obstacles still remain to be overcome, but we are on the right track. Growing transport needs, road and railway congestion and the desire for environment-friendly, socially acceptable modes of transport will accelerate this trend. Inland waterway transport with the CEE countries has a bright future.

PROGRESS AND CHALLENGES FOR INTEGRATION IN EUROPEAN TRANSPORT MARKETS

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1. INTRODUCTION

The integration of the CEE countries into Europe can only be considered on a long term basis and as part of a political and economic strategy of all European countries. Naturally, there is a general impatience. Integration can, however, only happen as part of a process, no matter how quickly politicians would like to achieve it.

I would identify the specific facets and features of political and economic integration in Europe as follows (this list is in an approximate order of priority, although none of these aspects can fully precede the others):

- lifting trade barriers -- both in goods and services;
- constructing the necessary infrastructure to serve the liberalised trade transactions, both in goods and services;
- integrated international institutions (political and economic) for all European countries, participation in the same pan-European organisations;
- know-how transfer, transfer of managerial skills, integrated education;
- legal harmonization;
- regional co-operation towards integration.

Given the importance of transport to foreign trade, all the above facets are involved. The most crucial, in my opinion, is the opening of markets -- abolishing trade barriers, providing market access. Any changes in the current

regulatory regime as far as market access is concerned can greatly influence all the other areas of integration and the ability of countries and companies to generate income.

In any kind of economic co-operation, either in the case of a free trade agreement or of a customs union, or in the case of a common market, or one of total economic (and possibly political) integration, there are sacrifices or losses to be suffered by the founding countries as well as by new entrants. More liberal market access, especially the abolition of tariffs and other similar duties, results in the competitive restructuring of Companies on the market. Consequently, there will be losers and winners in the process. As long as some individual companies on both sides, in all participating countries, are concerned, this cannot be used as a justification to stop integration and liberalisation of market access. There is, however, one important task to be done: to define and carry out the necessary public relations. The perception of the merits of integration must be made readily understood and appreciated.

There is a real problem, however, if the opening up of the markets causes nationwide losses to the economies of the new entrants, or if the domestic companies find it impossible to cope with the increased competition. (For example, in Honduras today, as a result of the total deregulation of the airline industry, there is no Honduran national airline, and the country is dependent on foreign carriers for aviation links with the world.) In such severe cases, it would seem to me that the country is not ready or “ripe” enough for integration. I believe, however, that this is not the case for the central -- and some of the eastern -- European countries.

The integration process must be preceded by a preparatory phase, which in fact could be considered as the first, or “zero” phase of integration. In the course of this process, the CEE countries become capable of integration so that the gains will be higher than the losses. This preparation has already started and is driven by a number of events and actions. Therefore, it is worth taking a look at the historic background.

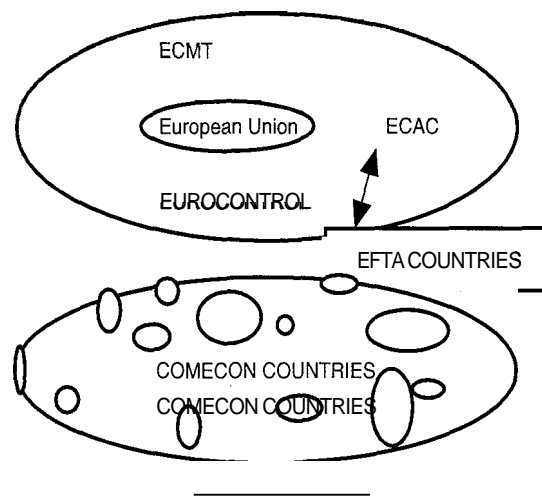
2. LOOKING BACK

In the field of transport the first or “zero” phase has started and -- in my opinion -- may already have come to an end. As the events and actions are no doubt historic, they deserve to be mentioned:

2.1 Multilateral inter-governmental co-operation and participation in all-European organisations

The integration of CEE countries in the field of transport cannot be envisaged if these countries do not participate in meetings where issues concerning Europe's transportation are discussed and decisions are made. In the past, the decision-making process in Europe seemed to be as follows (Figure 1):

Figure 1. United Nations European Economic Commission Inland Transport Committee



The western European countries, members of the EC or EFTA, worked together in the different transport organisations. The extra value of these organisations was rooted in the flow of precious information and in the fact that widespread consultation could take place before essential EC decisions on transport were made.

At the same time, there were the Comecon organisations: Standing Committee for Transport (the so-called 4th Section dealing with road transport issues), Standing Working Committee for Civil Aviation, and the multilateral agreements among the Member Countries (such as the agreement on common wagon pool, the tariff agreement on passenger and cargo transportation by air -- EAP, AEGT).

In this way Europe was divided not only politically but also in the field of transport.

The nature of transportation does not allow total isolation among nations. Dialogue and frequent consultations took place between the blocks through intensive bilateral links and through the United Nations. The ECE Inland Transport Committee served as a good forum. The bipolarity of Europe led to a situation where most of the traffic took place within the blocks and determined both the major directions and the volume of the traffic flow.

As the economies developed and foreign trade increased across Europe, it seemed intolerable to have separate transport systems in Europe. Existing connections proved to be insufficient for further development. Thus, there were initiatives on both sides to establish closer connections driven, in my opinion, in those days by economic and transportation necessities.

In the late 1980s, the Hungarian Transport Ministry began lobbying for permission and the possibility of becoming a member of international organisations like the ECMT, ECAC, EUROCONTROL or, on a company level, EAA. It was a fight which took place at home and abroad, both in the East and West.

2.1.1 Milestones: Hamburg, Paris, London, Budapest, Stockholm

Other central European countries had similar intentions. At first, transport ministers from the Comecon countries were invited together with other European transport ministers to events like the IVA, International Transport Exhibition in Hamburg, or to social occasions, like a Ministerial dinner in Paris. These meetings were informal, without specific agendas for discussion. In spite

of that, their value is beyond question. For example, a lunch which took place in London in **1989** was a step forward, although there was an agenda, the meeting was kept informal. The Budapest Conference of September 1989 was a turning point, as European ministers and the representatives of different transport organisations and the EC and the European Parliament came together for a discussion on the future of European transportation in light of the already-commencing political changes in Central Europe and the expectation of political democracy and a market economy. It was clear that a shift from totalitarian leadership to a market economy in transport would be an enormous challenge. From the records of the Conference, it can be seen that participants agreed that more liberalisation in the transport sector was needed and that the accelerated development of the transport infrastructure would serve as a political and economic stabilizer.

The year 1990 witnessed the unconditional political opening in the field of transport -- European transport ministers even met twice in Stockholm. In addition to the continuation of the first meeting of ECMT-Comecon transport ministers, some central European countries **were** able to participate **as** observers in the ECMT Council of Ministers.

2.1.2 Milestones: ECMT, ECAC, EUROCONTROL

By 1991-92, most of the central European countries had become members of the above previously-western European transport organisations, and were joined in 1993 by several more central and eastern European countries. In this way it was **possible** to get acquainted with European regulations and their introduction into national legislation could begin (or, at least, could have begun).

Information, which previously was missing or barely available, was now on the table. It was possible for CEE countries to express their opinions on changes in Europe and to participate in shaping new multilateral regulations.

2.1.3 Milestones: trade agreements, and later Association Agreements, with the European Union

Free trade agreements between the EC countries and between the **EC** and the CEE countries was quickly followed by the Europe Agreement. These agreements represented an extremely important step towards integrating the CEE countries into Europe. The Association Agreements already deal with trade in services, specifically with transport. It is stated clearly that the

signatory parties will negotiate and conclude land transport agreements and air services agreements, and these new agreements will replace the current bilateral agreements.

Market access issues are touched on by the Europe Agreements as long as --in the case of road transport -- the establishment of a company is subject to national treatment. The exchanges of letters attached to the Europe Agreements with Hungary and Czechoslovakia (the Agreement was first signed in 1991 before the country was divided into the Czech and Slovak Republics) also had an impact on market access in road transport.

2.1.4 Milestones: dissolution of Comecon and Comecon Transport organisations as well as Comecon multilateral agreements in the field of transport

While CEE countries approached the international organisations originally established by EC and EFTA countries, Comecon was eroding at a fast pace. CEE countries turned their backs on the Comecon institutions and especially on the transport committees and working groups -- and not merely for the sake of negating the past. It was evident that these organisations suited the socialist economic order. Supply in international transport services had nothing to do with market demand; it was either kept extremely low, or on certain routes it was maintained for reasons of prestige and, as a result, prices were artificial. In practice, prices were kept so low that without state subsidies, none of the services could have been offered. (For example, after withdrawing from the agreements on socialist aviation pricing, the air tariffs of the Hungarian Airlines increased -- in only a few months -- by a factor of ten.)

International transportation was restructured at a considerably fast pace. It cannot be denied, however, that there were loopholes and even gaps during and after the transition.

2.2 More liberal bilateral agreements

In the late 1980s and early 1990s, bilateral transport agreements tended to introduce more liberalism. This was the case in the field of road transport and also inland navigation.

The wave of liberalism in bilateral connections, although within boundaries, paved the way for a new European transport system. This trend coincided --not by chance, but because of economic needs-- with the liberalisation of transport with the European Community.

As a result, quantitative restrictions in international transport lost their dominance. Since this had already happened in the western European countries, they had time to develop qualitative restrictions. Again, there is a gap between the CEE countries and the rest of Europe, which has not yet been bridged.

2.3 Grant programmes

International aid programmes have mostly focused on infrastructure development and institutional reform. The issue of market access has -- understandably -- been left within the boundaries of interest of each state.

2.4 Infrastructure development programmes

Governments in countries in transition tend to shift their energies towards the most timely, most burning issues. Therefore, infrastructure development projects usually have priority over studies concerning market issues. Only recently is more attention being given to the commercial considerations of transportation.

2.5 Cross-border co-operation on company level

Privatisation started as a result of the political changes in the CEE countries. Many foreign enterprises, ranging from big multinationals to very small companies, have invested in CEE countries (more than half of the total foreign capital invested in the region came to Hungary -- in 1991 there were 3 424 newly-founded companies with foreign participation, in 1990-91-92 the value of direct foreign investments in Hungary amounted to US\$3 billion).

The increase of international co-operation at the micro-economic level contributes greatly to the levelling out of company performances. The technology transfer within companies increases the level of standardization of production or of products. Companies in Western Europe are not interested in the economic integration of CEE countries, and have merely established offices in these countries.

Recently, companies from the West as well as from the CEE region have opened branches in Hungary, although their number is still small. What the CMEA was not able to achieve in 40 years, liberalisation has done in a couple of years.

2.6 The birth and strengthening of regional and sub-regional co-operation

During the past few years, some regional co-operation at government level aimed at developing transport connections. The Central European Initiative (CEI) -- starting with four countries, then six, and later still more countries -- established its own group on transport. Originally, there were attempts to include market access issues into the work programme, but as that failed, members of the group concentrated on exchange of information and on harmonization of transport development programmes. One of the most fascinating projects within CEI is the **Trieste-Ljubljana-Zagreb-Budapest-Kiev** corridor, which would allow free movement from Barcelona to Moscow for all vehicles which have access to these markets.

The Visegrad co-operation in the field of transport has resulted, among other things, in a measure that has slightly eased the market access problems among these countries. This was a mutual agreement at the level of ministers, who then met in Zakopane concerning the immediate implementation of the ECMT resolution on the liberalisation of road transport by small lorries (net weight not more than 3.5 tonnes, gross weight not more than 6 tonnes). After the Zakopane agreement, and its enactment within the framework of the bilateral agreements, cross-border freight delivery by small vehicles paved the way for closer co-operation among Hungarian and Slovak small businesses.

The Conference of Central European Transport Ministers took place in Vienna in 1993, followed by a meeting in Sopron (Hungary) in the same year (the results of these events can be found in the Vienna and Sopron Papers), and there were also meetings in Brijuni (Croatia) and Bratislava in 1994. This Ministerial Conference has been open to dealing with transport policy issues, including infrastructure needs and market access. Today's task is to investigate the possibilities of a regional road permit system to help transition and to be a stepping-stone on the road to integration.

I believe that access for CEE countries to the European transport markets cannot mean only access to the French or UK or German markets. It must also cover the problem of access to the Czech and Austrian markets, for example, and access of other countries to the Hungarian market as well.

3. POSSIBLE OBSTACLES

3.1 Obstacles as a consequence of the poor performance capability of a CEE country

Countries in transition have been facing a severe economic situation. In Hungary, for example, the GDP per capita in 1992 was US\$3 415, which was 19 per cent less than in the previous year. The decrease in the GDP slowed down, reaching in 1993 only 0.3 per cent. Shrinking national income has been coupled with increasing budget deficit (7.4 per cent in 1992) and a disproportionately high external debt level (61.6 per cent of the GDP in the same year).

The national economies of countries in transition have become rather weak, as the following trends demonstrate:

- decline in production;
- domestic market **and** domestic consumption as a whole have become smaller;
- signs of economic depression: unemployment appeared and increased (in Hungary in 1992 it was 13 per cent); inflation is high (40 per cent in Hungary in 1992 and around 25 per cent in 1994).

As a result, credit conditions are far from attractive. The political changes brought about a general liberalisation trend and several industries have been freed from the previous licensing restrictions, while no measures to safeguard fair competition have been put into practice. In the field of freight forwarding, for example, during the socialist era market access used to be limited at first to one and later on two specialised firms. In 1989-90, market entry was already possible, but it was subject to a licence which was difficult to obtain.

In Hungary, the first private freight forwarding market has been liberalised and nearly anyone can get the licence. The obstacles for this first Hungarian private company in reaching the international markets can be summarised as follows:

- There was no grace period for the infant industry of the Hungarian freight forwarding business; it was expected to compete right from the beginning with the big multinationals.

- **As** foreign investments in Hungary have grown, foreigners have become the usual customers for Hungarian freight forwarders. These companies, managed by expatriates, have tended to favour freight forwarders of their own nationality (they are experienced, reliable and well-known, speak the same language, give potentially bigger discounts, etc.). **As** a result, Hungarian freight forwarders have lost market shares on their home markets (contracts for international forwarding have become difficult to get, even from their own market) and a negative spiral has started.
- Because of the poor credit conditions, Hungarian manufacturing firms rely increasingly on commercial credits. One form of this is delayed payment in freight delivery. While the carriers' bill is to be settled immediately, the forwarder is paid only after 30 or more days. The longer the payment deadline offered, the more likely the freight forwarder will get the contract. Foreign freight forwarders, who open offices or affiliates on the Hungarian market, are able to finance long payment periods, either because the mother company is solvent enough to do so, or, more often, because credit conditions in their home market are much more favourable, and as a result, they are able to offer dumping commercial conditions on the Hungarian market.

3.2 Physical obstacles

Quite often, when we speak about problems in connection with the underdeveloped infrastructure, the problem of market access is forgotten. We should not allow the reverse to happen either, that is to say, to discuss market access problems, giving very little or no attention to infrastructure difficulties. The most relevant infrastructure bottlenecks constituting physical obstacles facing international market access in the field of transport can, in my opinion, be categorised **as** follows:

- lack of traditional infrastructure;
- bottlenecks at border crossings;
- the lack of logistic and distribution centres;
- under-developed communication services and, consequently, slow introduction of telematics services.

By lack of traditional infrastructure, I mean the lack of motorways, of '3"-highways of modern railway networks, of up-to-date vehicle fleets (for all modes), lack of bridges, etc. I assume that as long as basic infrastructure is missing in the CEE region, the region itself hampers access for its own carriers,

and to some extent for all other carriers to European markets. Any delay in delivery because of bad or insufficient infrastructure affects all the carriers, and through them all the goods owners and in fact, all the customers. This obstacle reduces the competitive strength of European companies worldwide, as the **JIT** deliveries cannot fully function. As the concept that users must contribute to the costs of the construction and maintenance of transport infrastructure gains ground, transport operators of countries with the poorest infrastructure are likely to suffer the most and pay the most. They must finance (at least partially) the development of their own infrastructure. In addition, as CEE carriers cannot avoid neighbouring countries in the region when they enter any European markets, CEE carriers are the ones most affected by user charges in the region.

Border crossings usually develop *post priori*. Changes (and here, the changes in the number of independent countries is a crucial point) in the 1990s have already influenced the utilisation of border crossings. Some progress has been made, partly with Phare assistance. The first needs assessment studies have been carried out, albeit very briefly. Regional studies have also been made for the Balkans and for the Baltic states. The survey for Central Europe is under preparation under the regional Phare programme. It is even more important that certain concrete projects have been started --and many of them have been completed-- to ease border-crossing problems. This also illustrates the significance of the issue, as at first it was a programme under regional Transport Phare, and now a new institution has been set up under the name "multi-country border crossing, Phare".

However, the problem is still far from being solved.

In addition to the physical problems, there are, unfortunately, organisational and managerial problems at some border crossings. One negative effect on Hungary of Austria's membership in the EU is that the number of border crossings where animal and plant inspections take place has been reduced by half. This causes problems and, naturally, delays, as well as detours for foreign and Hungarian carriers, and at the same time, causes much more concern for Hungarian carriers, who must drive an additional 100 kilometres. This affects direct access to the Italian transport market, as well as indirect access to the Italian agricultural market.

3.3 Different levels of market access as the most direct obstacles in the provision of international transport services

Different levels in market access can be understood in two ways: it can mean the different levels of liberalisation varying according to country or region, or it can have a more general, broader meaning, covering anything that affects the capability of market access, including the right of establishment as well as access to international markets (i.e. road permits, inland navigation permits).

Before we discuss in greater detail the most important aspects of market access, some theoretical problems or contradictions should be considered:

- Throughout history, liberalisation of trade took place when one country became much stronger than others, and could force customs reductions and a free or freer market for its own goods (as in the Commonwealth); or when the participating countries were more or less equal in strength and could find a common denominator for liberalisation (Cobden-Chevalier Pact). Today we are witnessing and discussing liberalisation among countries with rather different levels of development.
- Today, different regulatory systems exist side by side, e.g. in road transport, ranging from the total abolition of road permits to the strict bilateral regime of permits, where the old form of permits -- that is, permits subject to taxes -- are in use. This makes carriers from the liberalised market(s) more competitive compared to the carriers from the regulated markets, who are subject to different and more stringent systems in the same market.
- Another problem with the different regulatory systems existing simultaneously is the contradiction between the principle of non-discrimination and the principle of reciprocity. The contracting parties want to see their interests accepted and in return they make compromises to each other. This system has been developed by the European states since the end of the second world war. In those days, the first principle they followed was the principle of sovereignty -- the sovereign right of every state to decide whom they allowed onto their territory and under what terms. Mutual interest made them gradually open up their transport markets. This bilateral regime can be non-discriminatory on all issues, except for the permits. The number and type of road permits will always be subject to reciprocity and will

vary within the bilateral agreement. The only way to change this is to abolish the bilateral system **and** introduce multilateral arrangements in their place.

- Another contradiction within the current international transportation regulations has more of an economic character: while trade in goods (concerning most of the articles, except for the most sensitive ones) has become free from quantitative restrictions (like licences for foreign trade) and tariffs have been gradually becoming lower, the actual implementation **of** foreign trade --the delivery of goods to be exported/imported -- is subject internationally *to* ancient restrictions both in the air and on land. This is a problem which will hamper future economic development of countries not participating in agreements on liberal transport conditions; it is a problem which also has legal implications.

Strictly speaking, the European bilateral road transport agreements are deemed to be contradictory to Article 5 of **GATT**, in which a certain freedom of transit is given to exporting countries. The strength of national interest was shown, however, when the proposal to include road transport in the areas of investigation was rejected in the course of the Geneva negotiations on GATT.

- Last but not least, there is the question of whether the current volume of traffic allows other than liberal regulations for international transport, even if:
 - the participants are at different levels **of** economic development in general, and particularly in the field of transport; and
 - the interest in liberalisation differs from country to country -- one would like to liberalise bilateral traffic only, the other transit only. (The participation of Hungarian road hauliers in international traffic is only one-fourth of a year's traffic by foreign hauliers entering Hungarian territory.)

3.4 Sophisticated measures for non-transparent protection

As barriers to market access have been lifted in several European countries, environmental protection and safety measures have become more **and** more popular. Is this sheer coincidence, or are there considerations for protecting the domestic transport market, in this way giving assistance to the domestic

transportation manufacturing market? Let us suppose that there is no deliberate link between the two trends. For the CEE countries the effect, however, is a diminishing access to these highly developed markets.

The real problem lies, of course, not in the substance of these measures, but in the way to finance the constant modernisation of fleets, longer rest hours for drivers, and other additional regulations.

3.5 Human resource issues

There is a great difference in educational -- especially vocational -- services that a CEE country can provide and the versatile learning opportunities and connected financial possibilities in western or northern European countries. This problem is, however, not insurmountable. In my opinion, the most important concern is whether or not the present decision-makers want to change the situation, whether they accept that human resource development and education is a strategic issue, and whether they are willing to give more than lip service to the solution.

In this context, it should be mentioned that although this problem is more of an economic character than a human resource issue, there is a considerable amount of corruption in many CEE countries. Course certificates can sometimes be obtained outside of the examination room. Stricter controls and more transparency might help a lot in this area!

Besides the general drawbacks, some other specific problems affect transport market access, e.g.:

- lack of or low skills in foreign languages (primary and secondary school issue for the future; affordable language courses now and in the future);
- there is a generation or two which has been deprived of learning foreign languages (but such people are at an age where they are in their active career);
- the market economy and its laws are new and unfamiliar to many people, so some time is needed to get used to it and become able to live up to it (lack of managerial training in the past).

3.6 The disadvantage of being new

For a new company on any of the markets, it is natural that it must first prove its ability, become known, advertise, etc. This obvious fact is dangerous, however, when nearly a whole country is new. Nearly all the companies in CEE countries can be considered new, although with a few differences -- totally newly-established ventures and/or new companies separated or privatised from old ones.

As a result, the weakness and vulnerability of being new on a market is enhanced, and new entrants are made even weaker because whole industries are new and *weak*. Therefore, it is clear that to find solid partners, international co-operation is indispensable.

4. WHO IS TO GAIN FROM INTEGRATION?

After listing so many shortcomings for CEE transport operators, one might ask if liberalisation of transport regulations and abolition of bilateral, transit and third-country and cabotage permits is not premature? Wouldn't there be more sacrifices than gains by the CEE countries' transport companies?

My answer is an emphatic "NO"! No, it is not premature!

I believe that despite all the problems which come **into** the limelight as liberalisation proceeds, in the long run there are more gains than losses.

At the same time, it must be seen and accepted that there will be some sacrifice for both CEE countries and other European countries. During the 1970s, some 70 to **80 per cent** of bilateral road traffic was undertaken by Hungarian hauliers compared to western European countries. This share has been cut back in the past years to around 50 per cent. This is, beyond any doubt, a loss in market share of the Hungarian hauliers. However painful it may be, I personally believe that this change in the market share is good for the manufacturers and the hauliers. Manufacturers can have hauliers compete for contracts with better conditions and better pricing (which will be good for the end-user and the whole economy), hauliers can have a balanced interest in each other's market, and this interdependence may help them to unify the strength when it is needed.

There would of course be a serious problem if the market share were to drastically -- and in a lasting way -- drop even further.

Further, I believe that it is impossible to separate trends and cycles in trade in goods and trade in transportation services. The volume of foreign trade on the European continent is such that we cannot afford to have obsolete transport regulations. The question of competitiveness concerns not only one or a few countries, but it concerns the entire European continent.

Integrating Europe has military, political, economic -- and within those, transport-related -- aspects. From the transport point of view, I think that, in the not too distant future, frontiers can only be floating.

How can this liberalisation take place without ruining countries and regions? Must sacrifices be accepted and taken not only by CEE countries but by the more developed European countries as well? Will the liberalisation of transport services be delayed by cycles, which we could experience in the case of trade in goods? These are all questions of open (and sometimes secret) negotiations.

5. WHAT CAN BE DONE TO SPEED THINGS UP?

The first question is whether there is a need to speed things up. My answer is "YES". The sooner integration takes place, the better for all the participants. For an accelerated integration on the one hand, the obstacles in access of CEE countries to European markets must be minimised. On the other hand, some well-designed public relations is needed. In this respect, international organisations could greatly help their members.

6. IS INTEGRATION MORE LIKELY TO HAPPEN IF THERE IS A WIN-WIN SITUATION?

I am convinced that there are three tools which would bring about a win-win situation in liberalising transportation services and in helping the CEE countries to adjust to the competitive surroundings. These are:

- an asymmetry and adaptation period;
- during the adaptation period, balancing between the different interests is needed (for example, can transit be a worthy issue in market access?);
- financial assistance in implementing development programmes.

MAIN FEATURES OF THE TRANSPORTATION MARKET

Area of regulation	ROAD TRANSPORTATION		AVIATION		INLAND NAVIGATION	
	at the start	now	at the start	now	at the start	now
1. TRANSIT	- subject to bilateral permits	- mixed: Austria - strict regulation quotas for eco-points or for permits EU - liberal Others - bilateral	- subject to permit	- free/Multilateral Air Transit Agreement/ except for Russia	- subject to permit	- opening up
- right of establishment	- complicated - non-transparent - subject to permit - protected monopolies - growing to be associations	- relative freedom, but licensing is needed	- single designation - national monopolies	- increasing freedom - multi-designation - multi-/trans-nationalism - subject to operating licence (difference in op. licensing between U.S. and other countries)	- subject to licences	- even stricter licensing (scrapping, overcapacity)
- international operation	- bilateral quotas under bilateral agreements - shortage in permits	- bilateral quotas under bilateral agreements - EU regional liberalism - ECMT quotas	- strict capacity regulations to protect monopolies - reciprocity on the lower level	- on 3-4 air traffic rights liberalisation in EU, more liberal attitude in bilateralism , but with reciprocity - on 5th freedom - liberalisation in EU, strict bargaining bilaterally	- bilateral traffic - quotas - big cabotage not allowed	- quotas, but more liberal - bilaterally, it can agreed upon

MAIN FEATURES OF THE TRANSPORTATION MARKET cont.

Area of regulation	ROAD TRANSPORTATION		AVIATION		INLAND NAVIGATION	
2. MARKET ACCESS cont.						
- cabotage	- prohibited	- introduced in the EU, prohibited in other countries	- prohibited	- introduced in the EU, prohibited in other countries	- prohibited	- prohibited
3. TARIFFS	- controlled	- free	- a priori agreed on and to be approved	mixed: - free in EU and under several bilaterals - pot priori controlled, monitored	- agreed on	- some freedom introduced
4. FISCAL REGULATIONS	- bilaterally agreed on	- multi-harmonization - bilateral and most favoured nation (reciprocal) - even national treatment	- bilaterally agreed on according to a model agreement - possible mfn (save airport prices)	- global standardisation		
5. TECHNICAL NORMS	- multilateral agreements (UN/ECE; ECMT)	- +EU	- multilateral agreements (ICAO, ECAC)	- +EU	- plurilateral: - Rhine - Danube	- plurilateral + EU
6. ENVIRONMENT PROTECTION/ SAFETY	- not yet central issue	- significant - ability to restructure markets and competitive conditions	- important from the start	- also import	- important	- important

ANNEX

RESOLUTION

adopted by the ECMT Council of Ministers meeting in Vienna on
7 and 8 June 1995,

HAVING REGARD

- to the importance of the growing trade relations in Europe;
- **to the** Crete Declaration; in particular to **paragraph** 1 in chapter B, which says:
*“...Transport policy should be organised on a social market economy and free and fair competition basis in **all** the participating states and at European Community level; the progressive **freeing** of access to **the** transport market and to the transport of **passengers** and freight offered on national territory should go ahead on a reciprocal and **mutually advantageous** basis and **in** accordance **with** the progress made **in** achieving **free** movement of **goods** and passengers within the national **territories** and in harmonizing the **conditions** of competition...”*
- to the ECMT Resolutions on Road transport [CEMT/CM(94)10 Final], and on obstacles at border crossings [CEMT/CM(94) 11/Final];
- to the priority in the ECMT Work Programme given to the subject of integration of new Member countries, the mandate **for** the Group on Integration [CEMT/CS/AMR(94)6] and in particular to the statement therein:
*“The new Member States have to **be** integrated gradually into the **European** transport system, without **discrimination** and without prejudice to their ability to compete on the international **transport market**”*
- and to other relevant **parts** of ECMT resolutions concerning new Members;

REAFFIRMING that measures to liberalise international transportation services should take place in parallel with the harmonization and introduction of high technical standards for vehicles and the promotion of road safety, as well as the protection of the environment with a view to creating fair competitive conditions between hauliers of Member countries and between the transport modes;

TAKING NOTE of the conclusions of the ECMT Seminar on Integration of central and eastern European Operators in European Transport Markets held in Paris, 16-17 March 1995, in particular:

- that developed transport connections between East and West, including fair and equal opportunities for doing business in the field of transport are essential for the integration of central and eastern European countries in Europe;
- that the current regulatory system is unwieldy, consisting as it does of different provisions and standards, especially in market access opportunities;
- that barriers to efficient transport operations exist nationally due to the level of development of the transportation systems and the restructuring of markets in the central and eastern European countries (under-developed transport and telecommunication infrastructure, delays at border crossings as well as technological, legal, organisational, managerial, economic and financial barriers) and internationally due to different conditions in international market access (e.g. shortage of road permits and capacity regulations in inland navigation);
- that harmonization of competition conditions between central and eastern European and West European countries and their transport operators should be gradual and coupled with the necessary lead time for adjustments;
- that mutual liberalisation of market access should allow transitional arrangements and should be introduced in harmony with environmental protection and the development of all modes of transport;
- that the countries having concluded the Europe Agreements with the European Union attribute great significance to the Sectoral Agreements foreseen therein;

RECOGNISING

- that barriers are severe handicaps for central and eastern European countries to participate in European transport markets and therefore a number of measures -- some only for a period of transition -- need to be taken to overcome these barriers and to ensure full integration of the central and eastern European countries in Europe to the benefit of all European countries;
- that rail and combined transport offer ecological alternatives to road haulage;

RECOMMENDS

- that problems which hamper commercial transactions and economic integration must be addressed on an emergency basis;
- that rail and combined transport be developed and promoted as a matter of priority;
- that the necessary harmonization of rules and regulations should take place at the same time as transitional arrangements for the opening up of transport markets ;
- that for this purpose a set of Pan-European principles needs to be elaborated by defining arrangements for high safety, environmental and technical standards and with harmonized social and fiscal provisions;
- that, since bilateral arrangements will continue to exist in road transport -- at least among the central and eastern European countries -- principles for bilateral agreements should be drawn up, taking account of European Union competences, and harmonization through common rules included in future bilateral agreements be speeded up;
- that further studies of market access issues should be carried out, in particular through the compilation and analysis of market access provisions in and between Member countries;
- that, as the ECMT quota of multilateral authorisations for road freight transport is a valuable means for improving access to the market, it should be used as an important tool in the process of liberalisation, integration and rationalisation of transport operations;
- that conditions of access to the profession in the central and eastern European countries should be brought into line with the existing European Union Regulations with appropriate transition arrangements;

- that the elaboration of common rules and documents for coach services in passenger transport, including the liberalisation of such services starting with occasional coach services, would equally facilitate the movement of persons and the utilisation of public transport;
- that ECMT should be of assistance to the new Member countries by focusing on transport policy-making and implementation issues in future seminars and studies;
- that procedures for obtaining visas for professional lorry and coach drivers -- taking into account existing consular rules -- ought to be simplified as much as possible;
- that Ministers of Transport of those Member Countries which have not yet adhered to the important UN/ECE agreements such as, for example AETR, CMR, TIR, **ADR**, **ATP**, should make every effort to do so rapidly;

INSTRUCTS the Committee of Deputies to report on the implementation of the above decisions at the next ECMT Council Meeting.

ACCESS TO EUROPEAN TRANSPORT MARKETS

Trade relations between central and eastern European (CEE) and western European countries have grown considerably since the late 1980s. In the coming years, interdependence between the two areas can only grow. To foster balanced development, the conditions of access to transport markets in both East and West need to be as harmonized and open as possible.

This publication, an account of an ECMT Seminar, identifies the main barriers to access in transport markets, discusses the differences in competitive conditions between CEE and western European countries, and examines possible ways forward. The Seminar provided a forum for open discussion and exchange of experience for transport policy-makers from ECMT Member countries, and the European Union representatives of shippers and transport operators.

