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Openness of International Road Freight Transport Markets in the UNECE Region

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Contents Table

1. Executive Summary

Purpose

The main purpose of the present study is, while describing the current situation in this sector in the UNECE countries, to propose a set of generic indicators of openness in the international road freight transport sector.

Basics

The term "opening" or "openness" of a certain economic sector refers better than the often mistreated expression of "liberalisation" to improving operational conditions of the road freight transport sector's economic activity or freeing it from unnecessary limitations.

Opening markets carries advantages at macroeconomic level with beneficial impact at micro, i.e. company level and the labour market not to speak about consumers' benefits thanks to healthy competition.

Closed or non-transparent borders, tough and unjustified international licensing regimes, rigid international permit requirements, limited quotas, non-application of the MFN principle are all hurdles for international hauliers, just to mention a few aspects definitely with negative influence on international economic ties.

Latest Market Developments

International road freight transport input (vehicle purchase) and *output* (tonnes carried or tonne-km performed) follow closely the demand cycle of the economy (GDP) in general and trade (export) in particular.

Dropping demand has recently caused a dramatic contraction of haulage (million tonnes) and especially that of the registration of new trucks. The bottom so far has been reached in 2009 Q3 followed by a "positive stagnation" ever since topped with a similar forecast trend.

Fragmentation, Concentration

Out of the more than one million transport companies in EU27, hauliers indeed represent 60%, i.e. 600'000 enterprises (!). None of the other transport modes can be compared to the fragmentation level of the road freight transport sectors. The only comparable activity is "warehousing and support activities" practiced by 116'000 enterprises in EU27 in 2008.

The *predominance of small entities* in haulage is due to the abolishment of quantitative requirements for access to the profession in the majority of UNECE member countries and the partial though still limited opening of the international markets (in the extra-EU regions), the high "divisibility" factor typical for the profession and the commonly accepted absence of economies of scale in road freight transport.

Available information for a certain number of countries show however that a *trend of concentration can be observed* in road freight transport over the last 5-years period with respect to the distribution of companies by the number of vehicles and employees.

Market Opening

In addition, a *slow market integration process* in the whole UNECE area has been going on for the last two decades featuring a more *open road freight transport sector and a gradually opening railway sector* in most of the countries concerned. This opening process is not without contradictions and even reverse developments.

An EU-established operator is free to carry out any international operation within the EU. This ideal state of market access conditions can be called the "*fully open conditions*".

Roughly over the last fifteen years, qualitative market access criteria have started to be applied in bilateral road transport agreements without really abolishing only *softening previous quantitative limitations*. Under the aegis of a number of bilateral agreements contracting parties have gradually accepted *quality conditions* for any further increase of restricted quotas of permits.

According to expectations, there will be a growing pressure to introduce more and more a multilateral component into the regulatory scheme in order to achieve the necessary facilitation of international haulage everywhere in the UNECE region.

Business Structures

As to the business organisation and structure of the market, in an "ideal" situation, inter-company relations are formalised by *contracts* directly established between the interested parties. Often however, direct contracts are substituted by a series of *secondary or intermediary sub-contracts*.

The haulage and logistics sector does not exist in isolation and it is continuously exposed to the external world. Its partner industries have an enormous *influence on the level of openness and structural changes* in this sector.

The degree of *openness of a country's haulage sector depends very much on the implementation of multilateral transport and related conventions*.

International Road Haulage Openness Measurement Toolbox

Indicators of the International Road Haulage Openness Measurement Toolbox should be relatively simple and robust in the hope of receiving an acceptable rate of replies. The toolbox may be applied also for self-surveying in case one would like compare international haulage's conditions in a given country to results of the same survey conducted earlier for the same country, or for another country or to values of an international benchmark yet to be defined.

For the purpose of an experimental benchmarking on the degree of openness of conditions of international haulage, a *detailed draft Questionnaire* has equally been proposed with weights of possible questions suggested by a small informal expert group.

2. Background

In recent years, there appears to have been relatively little interest or evident action to opening up international freight markets in the UNECE region except for EU-intern international traffic carried out by operators established within EU member states.

In contrast, the road freight market has arguably become more inward looking and even protectionist. There has been a general tendency to take protective measures to defend national as against foreign operators from impacts of accrued market competition, or in certain cases, illegal activities on the market. The unquestionable experience with a certain degree of abuses of freedoms, despite difficulties of identifying and, even more, measuring them has proved to be a strong but false argument on the hands of protectionists.

The decade-long deadlock around and growing restrictions of the ECMT/ITF multilateral quota or the stiffening conditions of bilateral road transport agreements, or even the reinforced criteria of cabotage regulations on an otherwise restriction-free EU-intern road transport market are important examples of protectionist developments.

No doubt that growing competition on the market has certain negative consequences, for example for market losers and eventually their dismissed labour force. Opening markets however carries advantages at macroeconomic level with beneficial impact on company level and the labour market not to speak about consumers' benefits. Macroeconomic advantages should equally make it possible to take care of unemployed labour force under the state's social responsibilities.

The *true* reasons for protectionism are many and they are complex, including the recent financial crisis which has tended to fuel protectionist sentiments. However, at least in theory, both the industry and policy makers appear to continue to aim at the long term goal of a sustainable, facilitated and open international freight market which provides high quality services for accessible prices to trade and economy as such.

Efficient and facilitated road transport is indeed the only way of supporting international commercial exchange as well as economic cooperation and, in turn, free-flowing international trade is often believed to contribute to greater transport efficiency. As a result, facilitated international trade and transport represent a means to higher economic growth and greater prosperity in the UNECE region.

Road freight transport facilitation via deregulation has long been applied in a great number of countries starting in the US in the 60s and 70s in the 20th century and it has proved to be a powerful tool to increase the quality of services with a simultaneously shrinking transport costs and freight rates. Therefore it seems to be important to assess the level of freight market facilitation and openness and to develop suitable indicators for their measurement and international comparison.

The main purpose of the present study is, while describing the current situation in this sector in the UNECE countries (including, as much as data allow, non-EU countries), to propose a set of generic indicators of openness in the international road freight transport sector.

The method of preparing this analysis has been determined in the Terms of Reference as "desk research". This mandate has been followed and information available on the worldwide web between the 15 July and 20 August 2011 has been collected and widely used for Chapters 3 to 8 of the present paper. In Chapter 9, a set of generic indicators called International Road Haulage Openness Measurement Toolbox (IRH OMT) has been proposed.

3. General considerations of "opening" the road freight sector

In general economic as well as road transport related literature the term of liberalisation or deregulation is often used to describe the process of *facilitating or improving* conditions of operations for economic entities in road transport, in our case hauliers.

In present economic circumstances, i.e. the second wave of the world financial crisis, it is the author's intention to avoid using the term liberalisation due to its often negative connotations related to the limitless and devastating behaviour of a great number of actors in certain economic sectors like banking, financial engineering, real estate business, and so on.

States and international institutions not having seriously considered the need for creating a solid but flexible regulatory framework for all domestic and / or international economic activities, in particular such sectors have greatly contributed to today's economic crisis.

In our view, the term "*opening*" or "*openness*" of a certain economic sector refers better to improving operational conditions of such a sector's economic activity or freeing it from unnecessary limitations. Therefore, wherever possible it is recommended to use these terms which seem not to be burdened with negative undertones.

Transport, in particular international road freight transport, has always been regulated for justified reasons such as the need for safety, security, technical harmonisation, fair competition and sustainability, just to name the most outstanding considerations. However, a great part of regulations in force or planned originate from the hidden desire to limit competition on the market place. Behind such considerations, one may find intra-, intermodal or national protectionism, state bureaucracy, unjustified fear of negative consequences of overheated competition, unreasonable security considerations, etc. Thus, elements of over-regulation have appeared in the transport sector.

Opening up the road freight sector, i.e. doing away with over-regulation, is generally considered as a positive phenomenon. Here-below, we briefly introduce some advantages and certain undoubted disadvantages of the process of opening in general and with respect to international activities in particular.

Regarding *general contemplations* for the whole road freight transport sector, it is a definitive advantage that facilitated entry into the profession and easier access to markets lead to healthier competition which in turn results in higher efficiency, better quality and lower prices. *Evmolpidis*[1] states that road freight transport is an ideal terrain for opening up due to the high "divisibility" of the sector (i.e. a complete production unit is "just" a truck – *comment by the author*) and the high "consumability" of the services provided (i.e. the client has easy access to the haulier's services – *comment by the author*).

Easing rigid regulations mainly of quantitative feature however should not be conducted without reinforcing the qualitative framework conditions, e.g. regarding safety, security, sustainability and social considerations. According to Sims2, deregulation (he refers particularly to lifting quotas and internal borders) in the US and Europe has closely been accompanied by reinforced safety and environmental regulations. We can agree with Sims that "the uniform regulatory and competitive environment … has led to highly efficient management and sufficient profit to invest in improved equipment". This is how a self-reinforcing healthy development cycle can be triggered-off by means of a controlled implementation of facilitation tools.

A right balance between facilitated and rigid entry / access conditions is to be established because a too low entry threshold would result in the market being "flooded" (Evmolpidis) by new entrants that may lead to declining quality and cut-throat price competition certainly to the disadvantage of the shipper. This situation is undoubtedly not better than the other extreme, i.e. insurmountable entry requirements leading to "laziness", inefficiency and possibly cartel-type self-organization of comfortably established, already duly licensed operators yet again with negative consequences for the customers. According to a World Bank "non-paper"3, "deregulation may well meet with strong resistance from those operators who have been able to exploit the advantages to them of the existing regulatory regime".

As Evmolpidis states, "excessive liberalization" may have a destructive effect also on other transport modes. (Though according to Rothengatter4, deregulation in the US road and rail transport sectors resulted in the railways improving their market position in contrast to European developments.)

[1] Vassili Evmolpidis: Impacts of Liberalization and Managing Excessive Liberalization, presentation, Istanbul, 12-16 December 2005 http://docs.google.com/viewer?a=v&q=cache:yDol61RxDK4J:euromedtransport.org/Fr/image.php%3Fid%3D1237+market+conditions+steps+for+liberalisation&hl=fr&pid=bl&srcid=ADGEESgSH5zaXA7E0-V0n__0t4al4BjAXQtieLnLZyRrTH3A3ymR_GNVPQOkH8q897i_VK-S9LuCj2b6Hv7wbolxegb3fKRoqWiKnwgtN-tLl8Qwi0MlsNeVAzwn9gjI8p3kRhI_1apw&sig=AHIEtbTehcgWBi7bnV2EfpjFWNnPaUWdTw

[2] Michael Sims for the ADB: Central Asia Regional Economic Cooperation: Harmonization and Simplification of Transport Agreements, Cross Border Documents and Transport Regulations, 2005 (http://www.adb.org/Documents/Brochures/Carec/carec-harmonization-final-en.pdf)

[3] World Bank "non-paper": Assessing Regulation of Road Transport (unknown author, no specific date mentioned) http://www.worldbank.org/transport/roads/rdt_docs/annex2.pdf

4 Dr. Werner Rothengatter, Liberalisation and Structural Reform in the Freight Transport Sector in Europe, OECD, Paris, Copyright OECD, 1997,

As stated above, opening may have negative consequences but one should distinguish between various time scales and levels of observation. *Kok*[5] states that "continuing to open Europe's markets in goods and services, and conversely resisting protectionist pressures, is fundamental to Europe's growth prospects." This is the right macro-economic and continental (global) approach.

Admittedly, this would not necessarily be perceived in the same manner by a small haulier driven out of the market by increased competition. He would experience being victimised "on the altar of competition". In this respect *Bernadet*[6] concludes: "the competitive model generates positive effects in the long term, it produces "losers" in the shorter". The negative phenomenon at the small player's level should however be counterbalanced by a combination of individual willingness for a new start and the socio-economic environment maintained by the state in order to offer a certain level of support (incl. social nets) and a "second chance" to honest losers.

This should be the case for road freight transport as it is "even more sensitive on this issue since road haulage firms are often small" and, how true, "adverse consequences of globalisation and market liberalisation … are felt more keenly in times of crisis" (both quotes from Bernadet) making reconversion more difficult for the individual and the society. It is not just by mistake that it took 30 years for a supranational organisation, the EU, to start seriously opening up the road freight transport market though this requirement was included already in the Treaty of Rome of 1957.

There are in this respect a few *specific considerations* for *international* road freight transport. The obvious link between the development of foreign trade and international economic ties on the one hand and the progress achieved in international haulage on the other hand should be re-accentuated. The self-reinforcing linkage between the two has already been mentioned.

Closed or non-transparent borders, tough and unjustified international licensing regimes, rigid international permit requirements, limited quotas, non-application of the MFN principle are all hurdles for international hauliers, just to mention a few aspects definitely with negative influence on international economic ties. Kok articulates this in the following reversed positive way: "facilitating free movement of persons, goods, services and capital in an area without internal frontiers is a crucial mechanism that generates economic growth".

If, in the negative sense, haulage were not able to meet (through JIT services, specific international logistic solutions for the collection and distribution of materials / products) the growing demand of the manufacturing industry, trade, agriculture and other sectors for regular supplies in relatively small units required by diminishing stocks, less material intensive production and cross-border cooperation of often hundreds / thousands of sub-suppliers to the same end-product, this would represent a serious set-back for economic and social progress.

Therefore, there is rationally *no chance of return* to previous patterns of quantitative or over-driven qualitative regulation in road haulage even in spite of certain potential draw-backs of opening similar to those mentioned before. In this respect we should point to the "split mind" of transport policy makers, transport lobby organisations and operators being in favour of opening in *all* countries except in their *own* for open foreign competition. We should therefore have the highest respect for the achievements of opening for road freight transport operations within the EU - with of course still much to attain regarding the harmonisation of conditions of international competition - where the macro-economic and global considerations have fundamentally prevailed over the national protectionist "guts reaction" of all actors involved of 27 member states not long ago passionate defenders of borders in every sense of the word.

4. General traffic trends and industry characteristics in the international road freight markets of the UNECE countries

http://www.oecd.org/dataoecd/14/31/2387068.pdf

5 Report from the High Level Group chaired by Wim Kok, Facing the challenge – The Lisbon Strategy for Growth and Employment, November 2004, 61 pages, Report on the construction and operation of the road freight transport market in Europe © OECD/ITF, 2009 (quoted by Bernadet - see footnote no. 4)

http://ec.europa.eu/growthandjobs/pdf/kok_report_en.pdf

6 Maurice Bernadet, Report on the Construction and Operation of the Road Freight Transport Market in Europe, International Transport Forum Forum Paper 2009, OECD/ITF, Paris 2009 http://www.internationaltransportforum.org/Pub/pdf/09FP01.pdf

In the present Chapter effort is made to present statistics describing traffic trends and industry characteristics in the international road freight markets of the UNECE countries. For this exercise data have been reviewed from Eurostat, ITF and UNECE. For traffic data, we shall rely *mainly* on ITF statistics because at the time of data collection (end of July 2011) 2010 figures were available only in this database. With some exceptions (Central Asia) the ITF statistics basically cover the UNECE region.

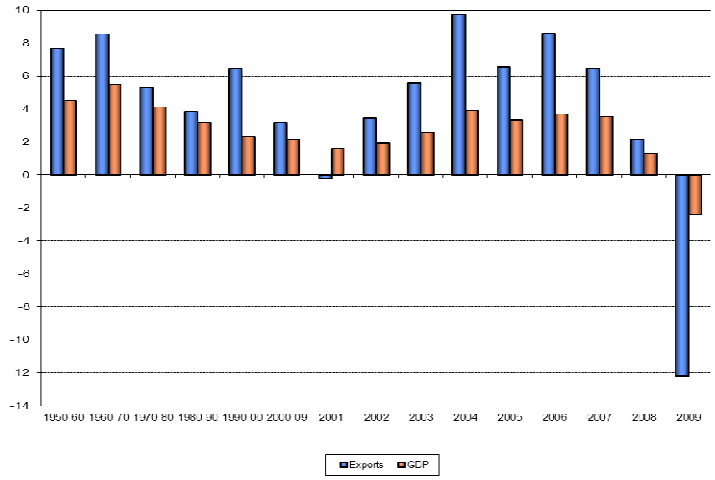
Graphs will be inserted in the body of the report while related data tables if available will be entered into *Annex 1*.

4.1 Cargo transport compared to trade and GDP development

In Chapter 3 we have referred to the evident interrelationship between the development of GDP / international trade and international road transport.

Before looking at data reflecting this link, it is worth to remember that similar correlation exists also between *GDP and foreign trade (export) performances.* WTO figures show that with the exception of 2001 and 2009, world exports have grown at a higher pace than world GDP since 1950. Ever since 2004 both growth rates are on the decline witnessing about slowing world economy well before the "official start" of the world financial crisis which had a shattering impact on world trade dipping much deeper into "cold water" (negative growth rates) than GDP. (*Chart 1*)

Chart 1: World Export and GDP, 1950-2009 (annual change, %)

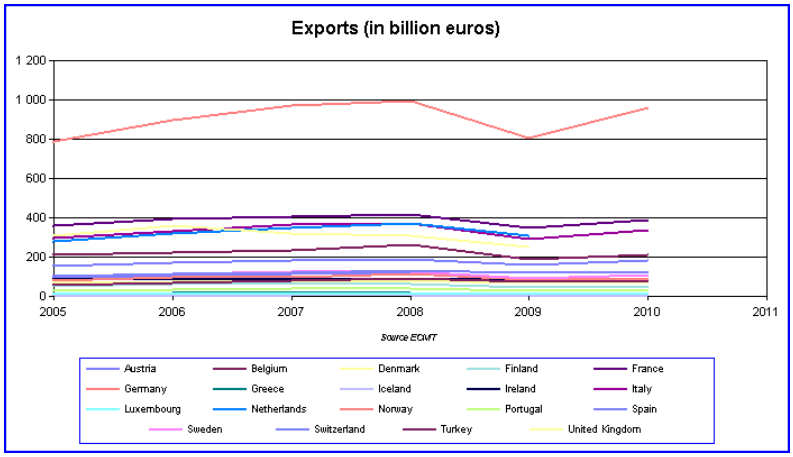


Source: WTO http://www.wto.org/english/res_e/statis_e/its2010_e/its10_charts_e.htm

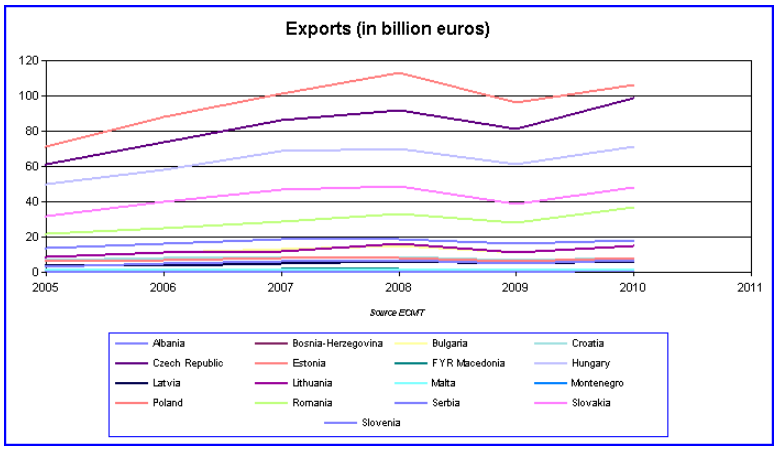
For the purpose of this study we may consider *individual export performances* for the countries of the UNECE region to characterise the progress of foreign trade. Data show that exports of ITF member countries have been hit harder by the crisis than the world trade average causing a reduction of almost 20% for long standing and new ITF member countries compared to the (-)12% contraction "only" of world trade (*Chart 2 and Table 2 in Annex 1*)

Chart 2: Exports, billion Euros, 2005-2010

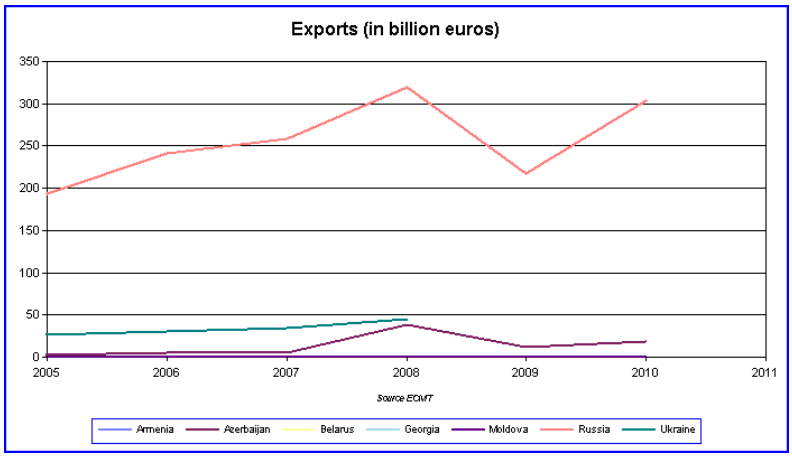
Long standing ITF member countries



New ITF member countries



CIS ITF member countries



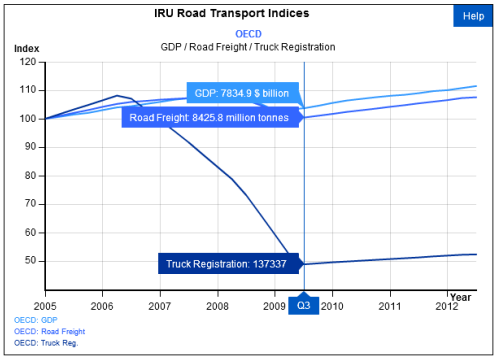
Source: ITF, July 2011, http://www.internationaltransportforum.org/shorttermtrends/Selection.aspx

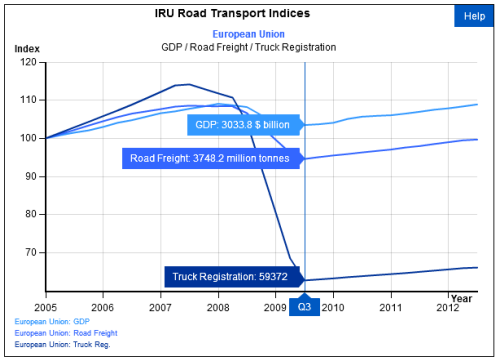
International road freight transport input (vehicle purchase) and *output* (tonnes carried or tonne-km performed) follow closely the demand cycle of the economy (GDP) in general and trade (export) in particular. A combined chart presents this evidence for the OECD, the EU, the TRACECA and the RF/BY regions. (*Chart 3*)

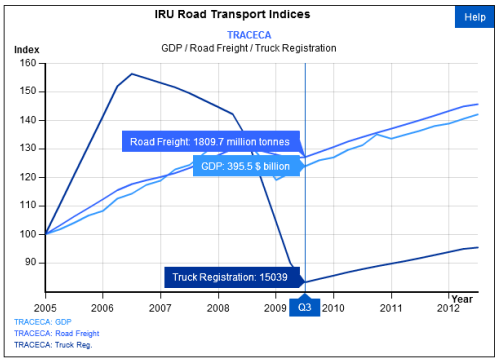
The individual graphs in this chart indicate that dropping demand has caused a dramatic contraction of haulage (million tonnes) and especially that of the registration of new trucks in all the four regions concerned. The bottom so far has been reached in 2009 Q3 followed by a "positive stagnation" ever since topped with a similar forecast trend.

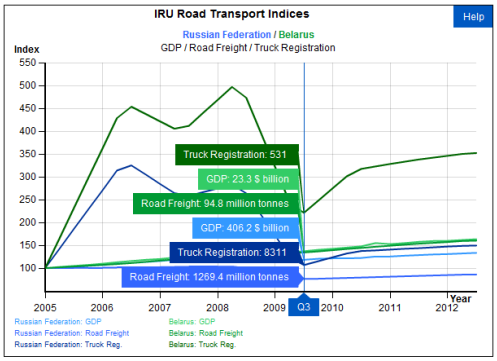
The same tendencies can be observed in respect of the other important output indicator for road transport, i.e. tonne-km performance shown for international haulage for three groups of ITF countries, though the drop of international (and cabotage) haulage operations by long standing ITF members ((-) 15%), (according to Eurostat figures "only" (-)11.2) was less spectacular than that of the negative export trade growth figures of the same countries ((-)19%). (*Chart 4 and Table 1 in Annex 1).*

Chart 3: **GDP / Road Freight / Truck Registration, 2005–2012, facts and forecast, OECD, EU, TRACECA**







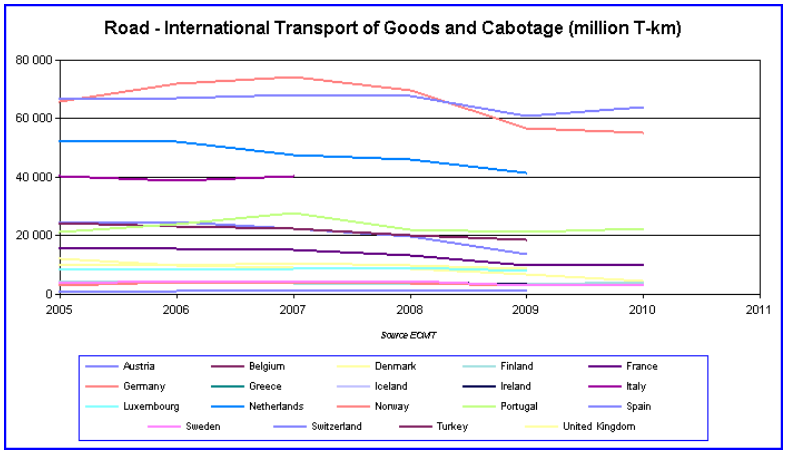


TRACECA: Armenia, Azerbaijan, Bulgaria, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Romania, Tajikistan, Turkey, Turkmenistan, Ukraine and Uzbekistan

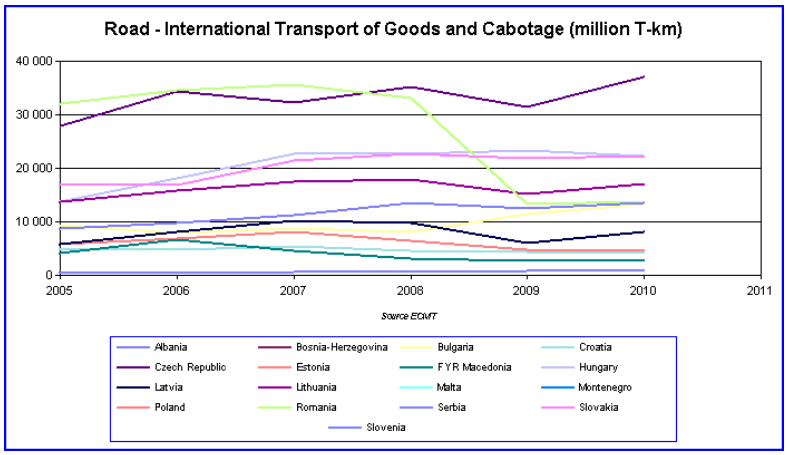
Source: IRU Road Transport Indices http://www.iru.org/en_services_indices_index

Chart 4: International Transport of Goods and Cabotage, million tonne-km

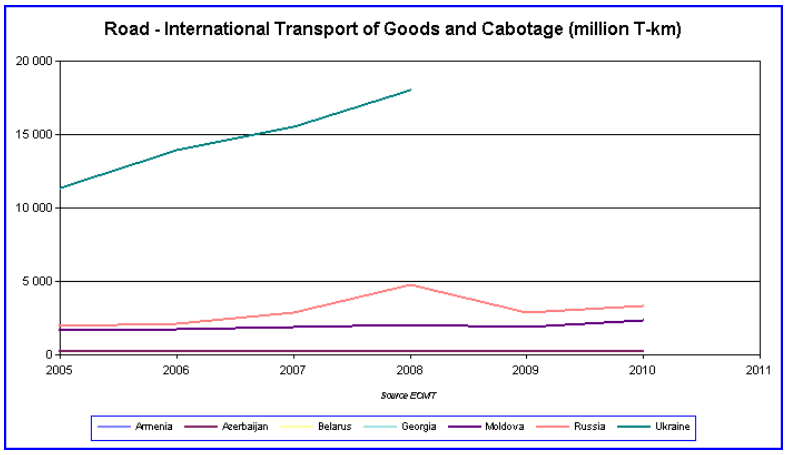
Long standing ITF member countries



New ITF member countries



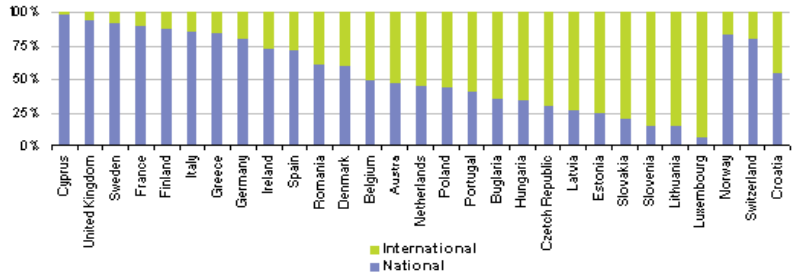
CIS ITF member countries



Source: ITF, July 2011, http://www.internationaltransportforum.org/shorttermtrends/Selection.aspx

The importance of *international road freight transport compared to domestic operations* depends very much on the size of the national economy, thus that of the domestic haulage market and the geographic position of the country concerned. The share of the international market is normally of less importance for big national economies (exception: Poland) while smaller and in particular centrally situated countries' international haulage market is comparatively more significant compared to the total haulage market (exception: Switzerland). (*Chart 5*)

Chart 5: National and international road transport of goods, 2009 (1) (% based on million tonne-km of laden transport)



(1) Greece, 2008; Italy and the United Kingdom, 2007; Malta, not available.

Source:http://epp.eurostat.ec.europa.eu/statistics_explained/index.php?title=File:National_and_international_road_transport_of_goods,_2009_(1)_(%25_based_on_million_tkm_of_laden_transport).png&filetimestamp=20110113121531

4.2 Modal split trends

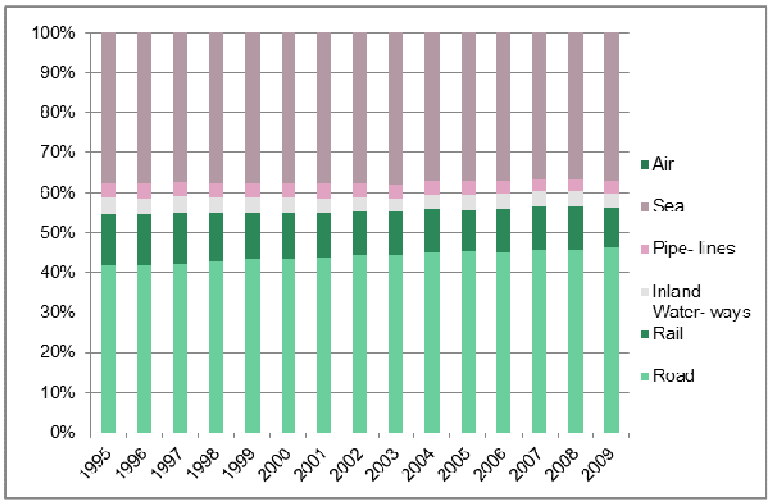
Modal split for EU27 has developed along the well-known pattern over the last decades characterised by the *permanent growth of road freight transport's share*. This share is less spectacular if all and much more accentuated if only land transport modes are considered. (*Chart 6 and Table 3 in Annex 1*)

Within the framework of this study, no modal split data have been identified for non-EU UNECE countries however it can be stated that the growing share of road freight transport characterises all regions. In mega-surface countries rich in raw materials, like the Russian Federation and Kazakhstan, the dominance of the railways has however remained intact.

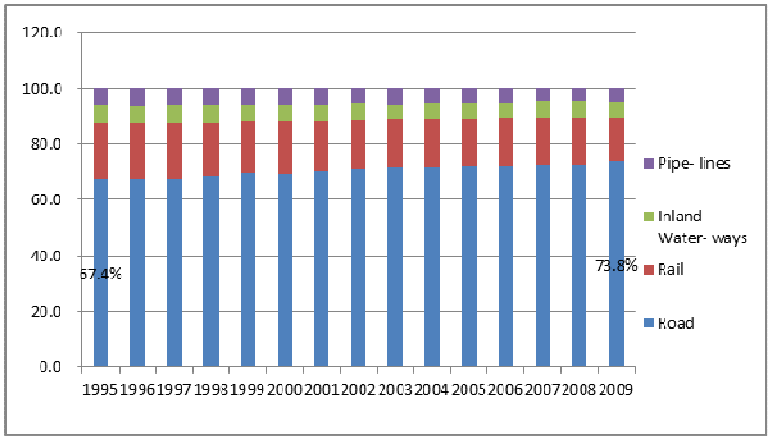
The relative success of road transport can be explained by its well-known main features (speed, reliability, flexibility, comparatively low price, security, etc.) and the continuing trend of opening of the haulage market as well as efforts to harmonise market conditions on the international stage.

What can be expected in a few *years to come* presuming that the world financial crisis will finally be overcome? On the one hand, the pattern of demand of the economy for haulage will possibly not change significantly. The positive features of the sector will remain intact despite growing problems like congestion or criminality. Furthermore, there are still significant reserves as to modernising the regulatory framework conditions and finally the sector will retain its ability to react to changing and challenging regulations (like the internalisation of external costs) with innovative solutions (via the reduction at the source of external negative effects). On the other hand, competition from other modes may increase without however being able to contest the market position of haulage. Intermodal operations may gain in significance.

Chart 6: Modal Split development, EU27, % (tonne-km basis)



Source: Eurostat http://appsso.eurostat.ec.europa.eu



Source: Eurostat http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database

4.3 Concentration level of the haulage industry

There are well-known indicators that help understanding the structure of the haulage industry. These reflect for example the concentration level of the sector, i.e. the development of turnover and asset sizes, e.g. the size of vehicle fleets per company, the number of employees per company and the number of companies per inhabitants. The availability of state ownership may also be investigated.

Such data may make it clear whether there has been any change in the sector's structure normally regarded as one of *small entrepreneurs*. Out of the more than one million transport companies in EU27, hauliers indeed represent 60%, i.e. 600'000 enterprises (!). None of the other transport modes can be compared to the fragmentation level of the road freight transport sectors. The only comparable activity is "warehousing and support activities" practiced by 116'000 enterprises in EU27 in 2008. (*Chart 7 and Table 4 in Annex 1*)

There are significant differences in "haulier density" per country. (*Chart 8*) We can distinguish among high, middle and low density countries compared to the EU average (*1197* haulier per one million inhabitants):

- High: *Slovenia – 3168, Spain – 3039, Czech Republic – 2702, Poland – 2289, Finland – 2120, Estonia - 1956 and Hungary – 1836*
- Middle: *Cyprus – 1682, Sweden – 1592, Italy – 1483, Latvia – 1357, Denmark – 1283, Lithuania – 1265, Bulgaria – 1091, Portugal – 1024, Romania – 1017, Luxemburg – 964, Austria 869*
- Low: *France – 638, Great Britain – 547, Netherlands – 545, Ireland – 470, Germany – 445, Slovakia – 273*

The *predominance of small entities* in haulage is due to the abolishment of quantitative requirements for access to the profession in the majority of UNECE member countries and the partial though still limited opening of the international markets (in the extra-EU regions), the "divisibility" factor typical for the profession (i.e. relatively low initial investment requirement - *cf. Evmolpidis, Chapter 3*) and the commonly accepted absence of economies of scale in road freight transport.

Data available for 2007 reflect in some details the fragmentation level of the haulage business in EU27. (*Charts 9 and 10, Table 5 in Annex 1)* Attention is drawn in particular to the *low average number of employees per company* which at EU level was 4.75 (!) in 2007. Over the period between 2003 and 2008, total turnover and the number of persons employed grew in an unbroken pattern while the tonne-km performance suffered a blow in 2008 as a consequence of the crisis.

Chart 7: Number of Enterprises by Mode of Transport, EU27, 2008

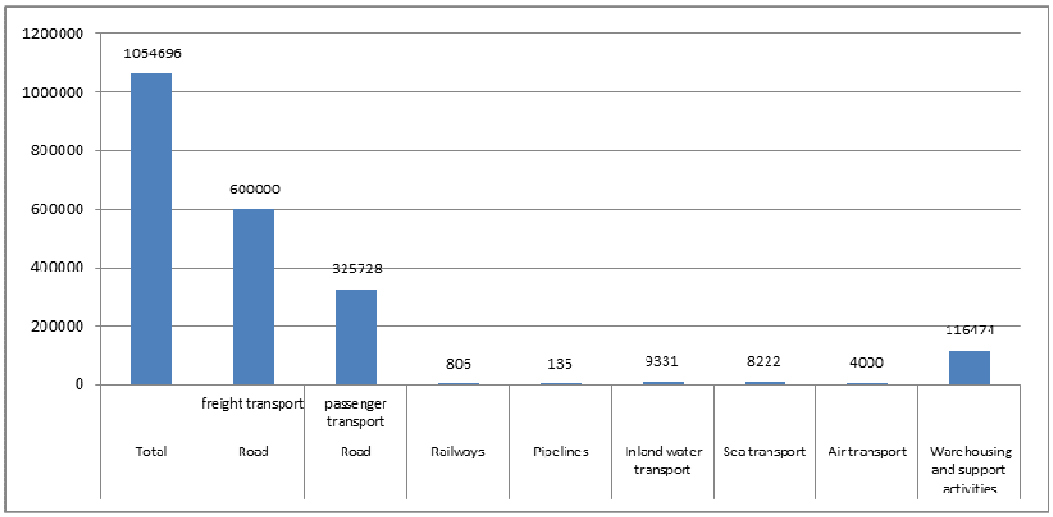
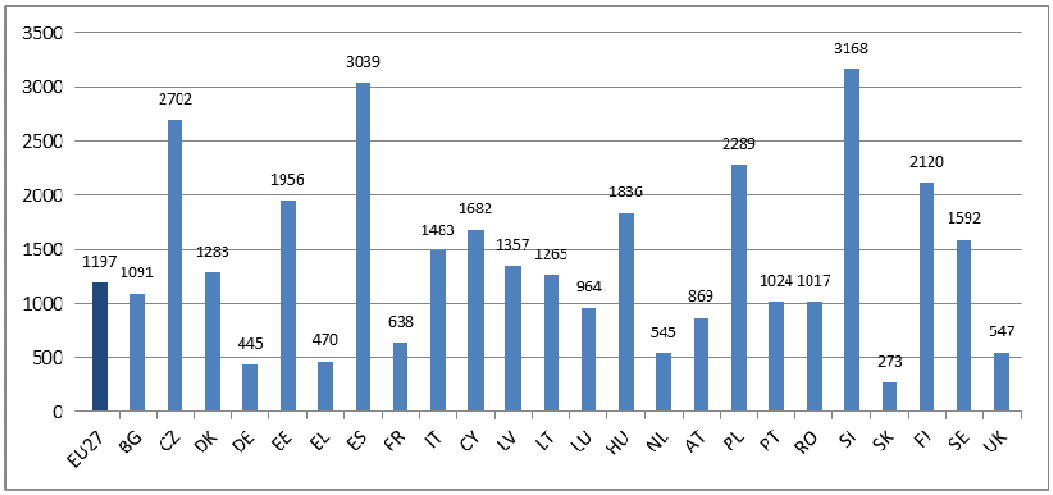


Chart 8: Number of hauliers per one million of population, company number 2008 per population figures 2010

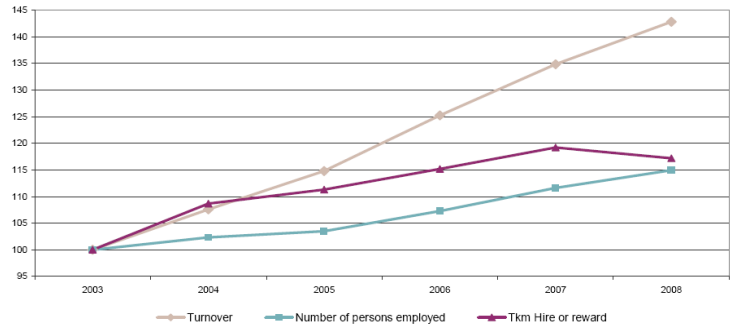


Based on population and haulier data of Eurostat, http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database

Chart 9: Structural business statistics for road freight transport enterprises, EU27, 2007

	Number of enterprises	Turnover (million euro)	Personnel costs (million euro)	Number of persons employed	Gross investment in tangible goods (million euro)	Number of persons employed per enterprise	Turnover (thousand euro) per person employed	Average personnel costs (personnel costs per employee) (thousand euro)
EU-27	577 477	293 014	63 119	2 829 517	19 836	4.75 (1)	100 (1)	26.2 (1)

Chart 10: Evolution of turnover, number of persons employed and tonne-km performed in the EU-27 road freight transport, 2003=100



Source: Eurostat,
http://epp.eurostat.ec.europa.eu/statistics_explained/images/5/57/Structural_business_statistics_for_road_freight_transport_enterprises_%28NACE_I6024%29_2007.png

In relation to economies of scale, according to most transport economists (e.g. Rodrigue and Slack7), there are no efficiency gains from increasing the size of a haulage company as trucks remain individual production units even if a number of them are operated together under the same company flag. This important theory has recently been completed by recognising the potential for scale economies stemming from complex supply chain management schemes, better coordination of logistic activities and the application of IT solutions. This view is represented e.g. by Nickerson and Silverman8 who admit (when analysing employment relationships in US trucking) that due to high transaction costs in trucking requiring "significant levels of coordination" and heavy investments to attract customers ("investment in reputation"), "carriers favour the use of company drivers over owner-operators". This means that while the absence of scale economies may be true for the basic traction work, growing sizes of a complex logistics firm may result in perceivable economies of scale.

With the increasing need of the economy for more sophisticated logistic activities and the continuing tendency of non-core activities being outsourced by manufacturing and trading companies (see information about own account transport in Chapter 5.2.2), a certain level of capital concentration has supposedly been observed over the last few decades in the road transport sector as a consequence of its becoming more and more involved in third-party logistics. The truth of this statement is very difficult to prove due to the lack of comparable complex international statistical data.

Regarding this question valuable information for 6 countries only has been found in Eurostat statistics for the period of 2005-09. (Chart 11 and Table 6 in Annex 1)

[7] Dr. Jean-Paul Rodrigue, Dr. Brian Slack: Road Transportation, The geography of Transport Systems, Hofstra University, Hempstead, New York,
http://people.hofstra.edu/geotrans/eng/ch3en/conc3en/ch3c2en.html

8 Jack. A. Nickerson, John M. Olin School of Business, Washington University in St. Louis; Brian S. Silverman, Harvard Business School, Soldiers Field, Boston: Why aren't all truck drivers owner-operators? Asset Ownership and the Employment relation in inter-state for-hire trucking http://www.hbs.edu/research/facpubs/workingpapers/papers2/9900/00-015.pdf

The country charts on the left show the change in the number of companies for each company category defined by the number of *vehicles* in absolute figures. The corresponding charts on the right show the change expressed by a simple comparative growth rate received by dividing the absolute figure as available for the last year by the absolute figure as available for the first year of the observed period for the country concerned.

Data for the 6 countries show the following for the indicated individual country periods:

- Dominance of small companies has grown in: Lithuania (1 country)
- Share of bigger hauliers has grown in: the Czech Republic, Spain, France, Poland and Sweden (5 countries)

It can be concluded from the available information for a modest number of countries (all are EU members) that indeed in the majority of these countries a *trend of concentration can be observed* in road freight transport over the last 5-years period with respect to the distribution of companies by the number of vehicles they operate.

The change of hauliers' distribution in company categories by the number of *employees* is depicted in the following chart. (*Chart 12 and Table 7 in Annex 1*).

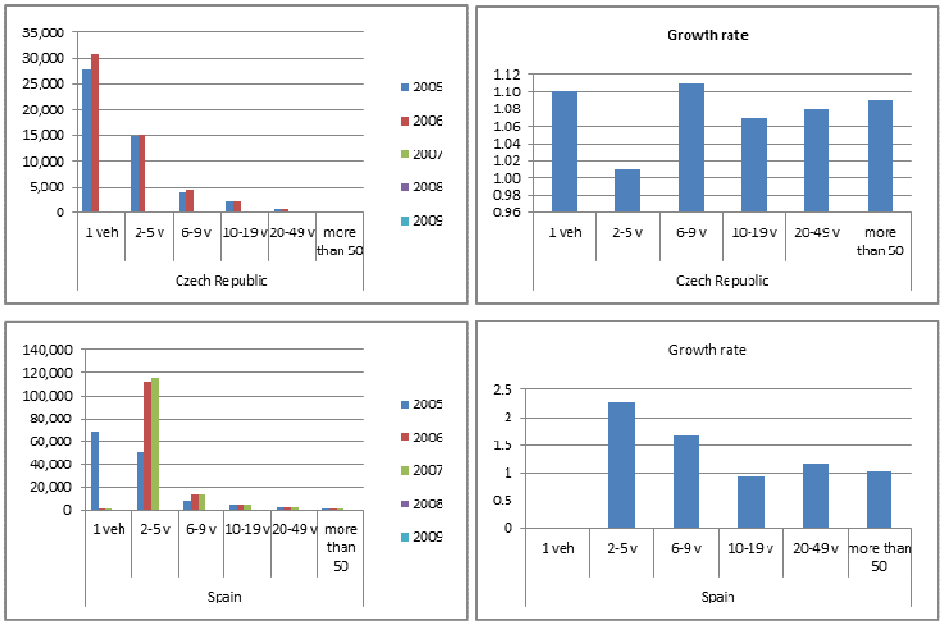
For 15 countries we see the following:

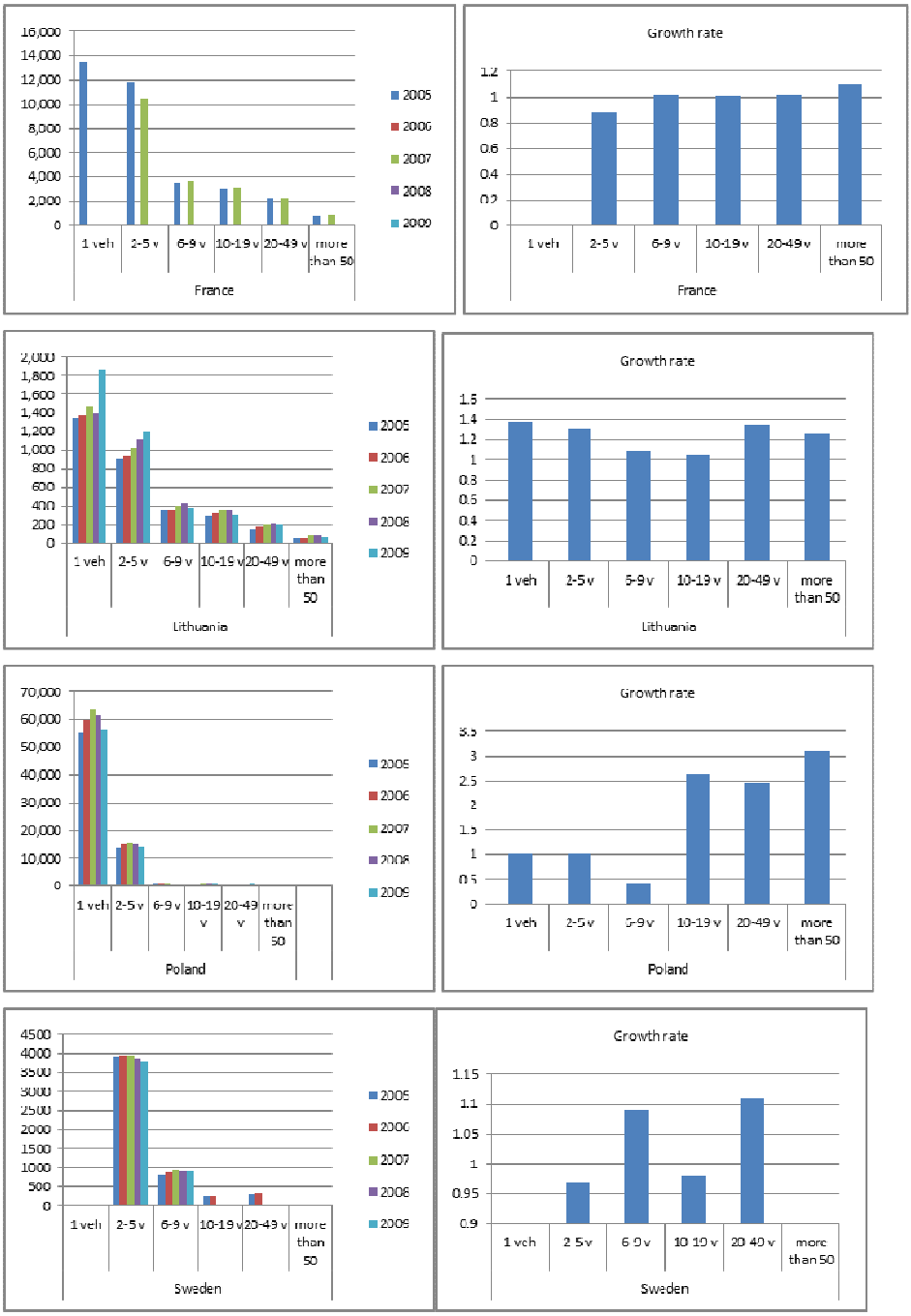
- Dominance of small companies has grown in: Estonia, Latvia, Lithuania, Malta (4 countries)
- Share of bigger hauliers has grown in: Spain, France, Cyprus, Poland, Romania, Slovenia, Slovakia, Finland, Sweden, Norway, Macedonia FYROM (11 countries)

This means that the *trend of concentration has indeed been confirmed* by the growing size of companies regarding their distribution by employee categories in a moderately representative number of countries. This is quite an *important conclusion* supporting the thesis that there may be some economies of scale to benefit from for companies that are able to meet increasing demand for logistic services.

This conclusion on the *tendency of an on-going company concentration process* in haulage activities in EU and two non-EU countries should be considered with care due to the restricted availability of information and it may further be contemplated, completed and verified by information on the trend of changes in the business organisation and structure of the haulage market as well as information on the level of concentration in partner industries. (*cf. Chapter 6*)

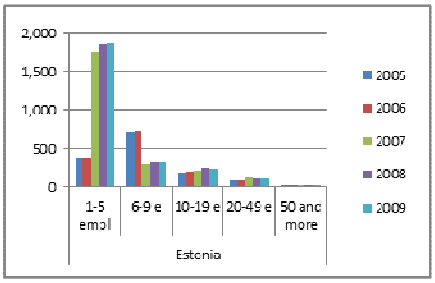
<u>Chart 11</u>: Goods road transport enterprises, by number of *vehicles*, by country, absolute figures and growth rates by country

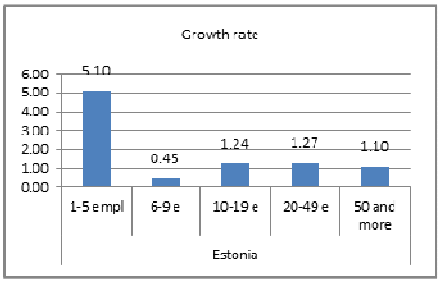


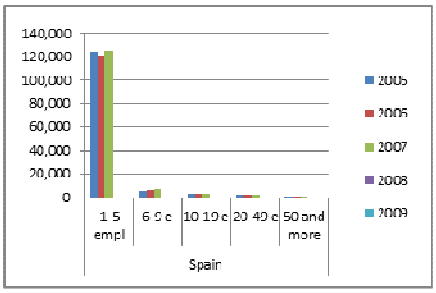


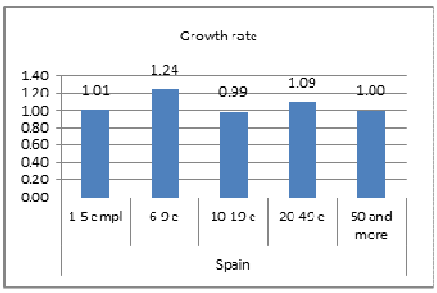
Based on Eurostat data from http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database growth rates calculated by the author

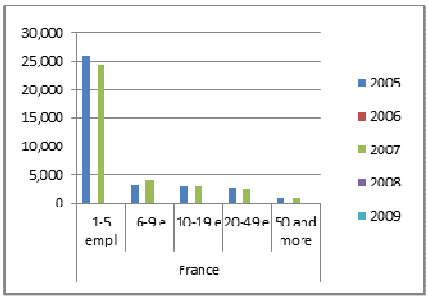
Chart 12: Goods road transport enterprises, by number of *employees*, by country, absolute figures and growth rates by country

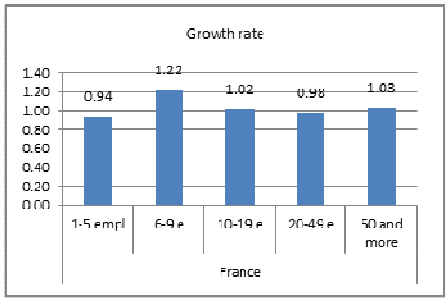

2,000
1,500
1,000
500
0
2005
2006
2007
2008
2009
1-5 empl
6-9 e
10-19 e
20-49 e
50 and more
Estonia

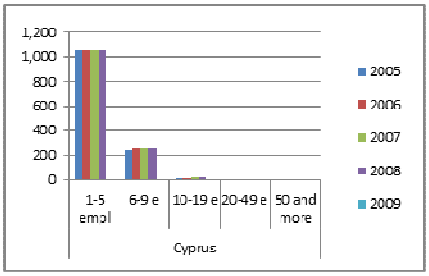

Growth rate
6.00
5.00
4.00
3.00
2.00
1.00
0.00
5.10
0.45
1.24
1.27
1.10
1-5 empl
6-9 e
10-19 e
20-49 e
50 and more
Estonia

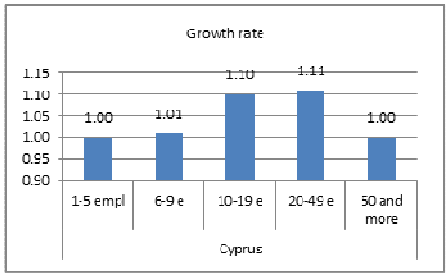

140,000
120,000
100,000
80,000
60,000
40,000
20,000
0
2005
2006
2007
2008
2009
1-5 empl
6-9 e
10-19 e
20-49 e
50 and more
Spain

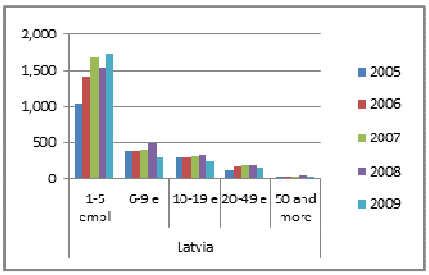

Growth rate
1.40
1.20
1.00
0.80
0.60
0.40
0.20
0.00
1.01
1.24
0.99
1.09
1.00
1-5 empl
6-9 e
10-19 e
20-49 e
50 and more
Spain

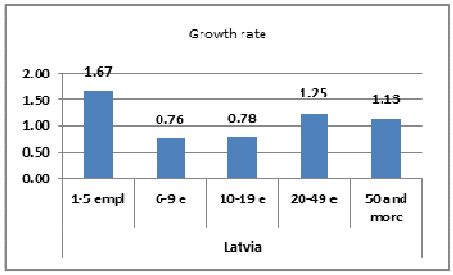

30,000
25,000
20,000
15,000
10,000
5,000
0
2005
2006
2007
2008
2009
1-5 empl
6-9 e
10-19 e
20-49 e
50 and more
France

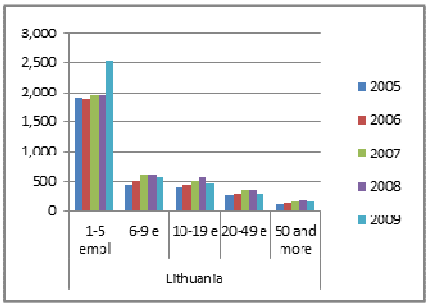

Growth rate
1.40
1.20
1.00
0.80
0.60
0.40
0.20
0.00
0.94
1.22
1.02
0.98
1.03
1-5 empl
6-9 e
10-19 e
20-49 e
50 and more
France

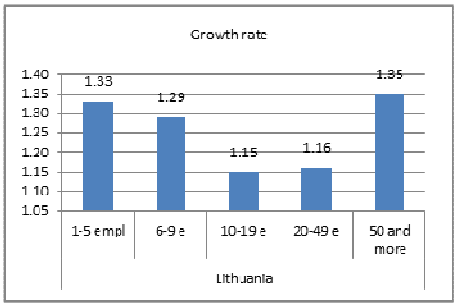

1,200
1,000
800
600
400
200
0
2005
2006
2007
2008
2009
1-5 empl
6-9 e
10-19 e
20-49 e
50 and more
Cyprus

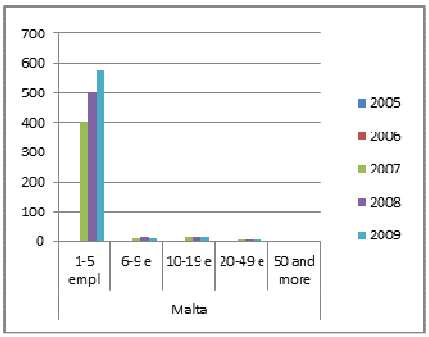

Growth rate
1.15
1.10
1.05
1.00
0.95
0.90
1.00
1.01
1.10
1.11
1.00
1-5 empl
6-9 e
10-19 e
20-49 e
50 and more
Cyprus

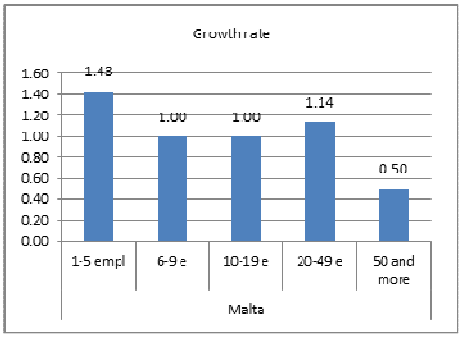

2,000
1,500
1,000
500
0
2005
2006
2007
2008
2009
1-5 empl
6-9 e
10-19 e
20-49 e
50 and more
Latvia

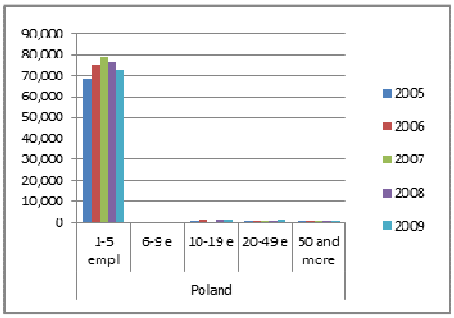

Growth rate
2.00
1.50
1.00
0.50
0.00
1.67
0.76
0.78
1.25
1.15
1-5 empl
6-9 e
10-19 e
20-49 e
50 and more
Latvia

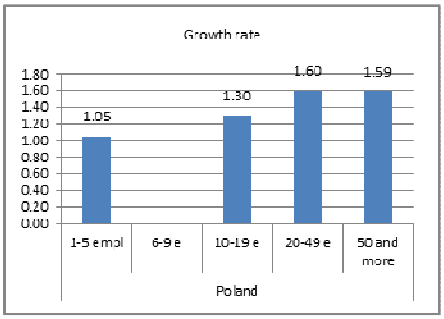

8,000
2,500
2,000
1,500
1,000
500
0
2005
2006
2007
2008
2009
1-5 empl
6-9 e
10-19 e
20-49 e
50 and more
Lithuania

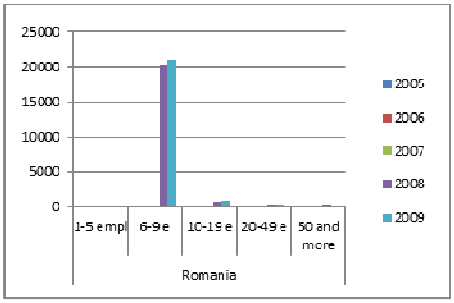

Growth rate
1.40
1.35
1.30
1.25
1.20
1.15
1.10
1.05
1.33
1.29
1.15
1.16
1.35
1-5 empl
6-9 e
10-19 e
20-49 e
50 and more
Lithuania

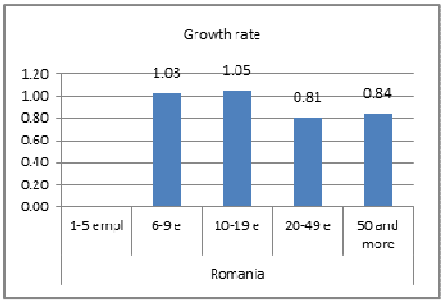

700
600
500
400
300
200
100
0
2005
2006
2007
2008
2009
1-5 empl
6-9 e
10-19 e
20-49 e
50 and more
Malta

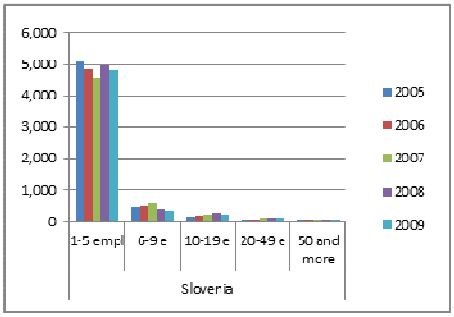

Growth rate
1.60
1.40
1.20
1.00
0.80
0.60
0.40
0.20
0.00
1.48
1.00
1.00
1.14
0.50
1-5 empl
6-9 e
10-19 e
20-49 e
50 and more
Malta

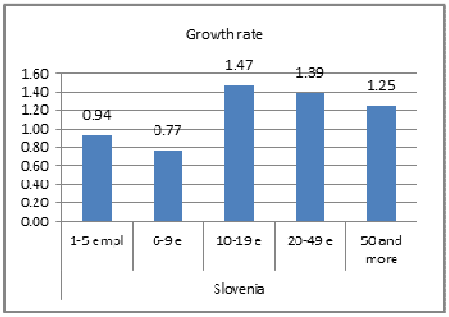

90,000
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
2005
2006
2007
2008
2009
1-5 empl
6-9 e
10-19 e
20-49 e
50 and more
Poland

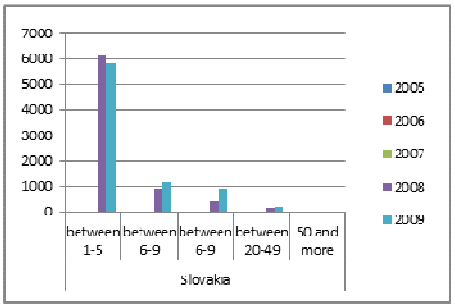

Growth rate
1.80
1.60
1.40
1.20
1.00
0.80
0.60
0.40
0.20
0.00
1.05
1.30
1.60
1.59
1-5 empl
6-9 e
10-19 e
20-49 e
50 and more
Poland

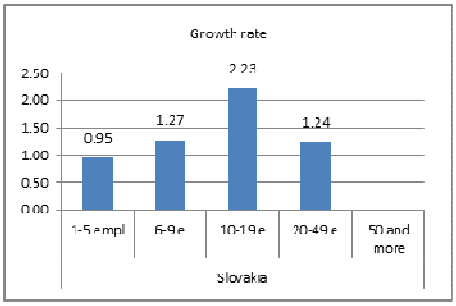

25000
20000
15000
10000
5000
0
2005
2006
2007
2008
2009
1-5 empl
6-9 e
10-19 e
20-49 e
50 and more
Romania

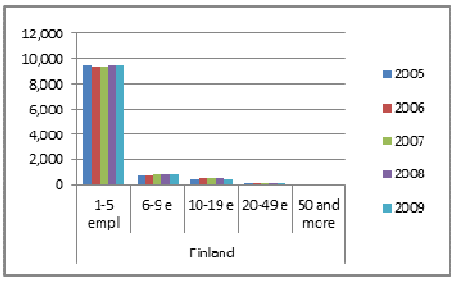

Growth rate
1.20
1.00
0.80
0.60
0.40
0.20
0.00
1.03
1.05
0.81
0.84
1-5 empl
6-9 e
10-19 e
20-49 e
50 and more
Romania

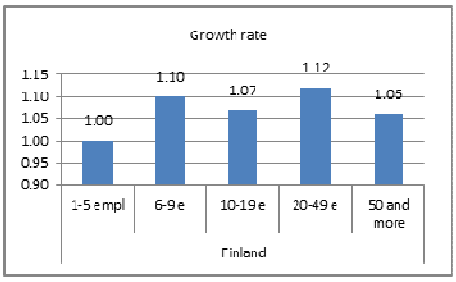

6,000
5,000
4,000
3,000
2,000
1,000
0
2005
2006
2007
2008
2009
1-5 empl
6-9 e
10-19 e
20-49 e
50 and more
Slovenia

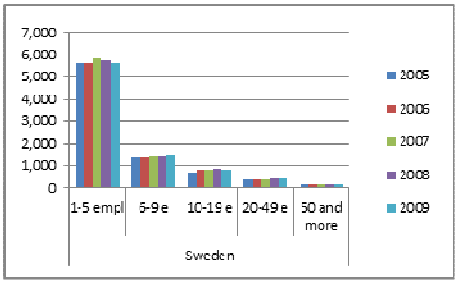

Growth rate
1.60
1.40
1.20
1.00
0.80
0.60
0.40
0.20
0.00
0.94
0.77
1.47
1.39
1.25
1-5 empl
6-9 e
10-19 e
20-49 e
50 and more
Slovenia

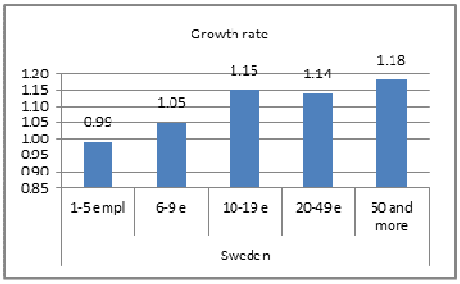


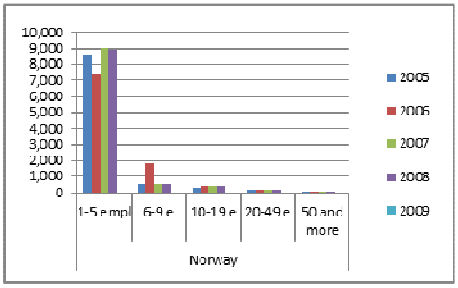


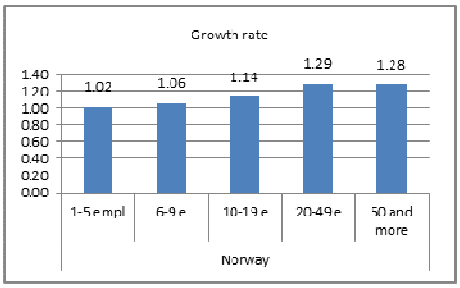


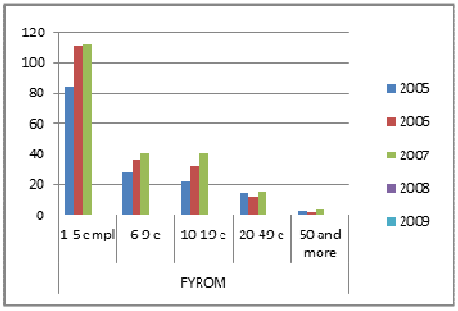


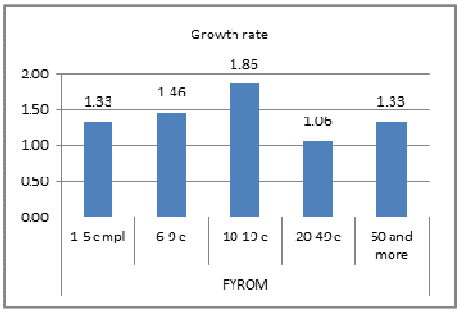












Based on Eurostat data from http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database, growth rates calculated by the author

Finally, a few words about state ownership in the road freight transport sector. A brief review of this question may contribute to the "openness analysis" from a completely different angle than the "fragmentation aspect" so far considered in this Chapter.

Haulage, whether using traditional or modern techniques, develops in a *natural way as a private undertaking* under capitalist circumstances. The high divisibility factor plays a major role in this respect. Thus there is a *sharp contrast with the railways*, which may have been pioneered as a private undertaking in many countries in earlier times (mid-nineteenth century), but due to their high capital intensity, low divisibility factor and equally burdening operational and maintenance requirements and last but not least due to their mission under the Public Service Obligation (PSO) in respect of passenger transport they have widely been nationalised in most present UNECE member countries. In all these countries, the state has subsidised (and cross-subsidised) important parts of the railway operations (mainly network development and passenger transport). States have had the right and obligation to defend the commercial and economic interests of their ownership, thus national railways have enjoyed a monopolistic position within the railway sector with most important implications for other transport modes such as haulage where entry conditions have strictly been regulated in a quantitative sense always taking into due consideration railway interests.

This era ended, though not without pain and contradictory phenomena, by the *deregulation of the road freight transport sector and the consequential step-by-step liberalisation of the railways* in capitalist economies during the last quarter of the 20th century. The latter is still an on-going process subject to the implementation of various railway liberalisation packages of the EU. While railways have demanded that the road transport sector should cover all its own expenses (internal and external), which is now close to full accomplishment, they have had a high price to pay in return: the abolition of old monopolies and "state-care", i.e. opening their markets to new private railway entrepreneurs, a process that possibly leads to the full re-privatisation of the sector.

The *result* of this transformation process is hopefully *a better levelled playground* and open competition in each main land transport mode and in intermodal sense.

The development path covered in countries, members of the UNECE, with *centrally planned economies* over a long period in the 20th century was somewhat different. *State-owned* railways have long enjoyed their full monopoly position all the more so since haulage with centrally organised road freight transport conglomerates has also been fully state-owned. Tools of *central planning* have been used to "optimise" the balance between the state-owned railways and the state-owned road transport companies with the now well-known results (failure) for both transport and the whole economy (and indeed the whole east-European centrally planned socio-economic system). Following the political changes, the rapid privatisation of road transport companies and the accompanying facilitation of access-to-the-profession & market conditions for new entrants have drastically changed the scene and a transformation process towards more open railway transport markets has inevitably started though at widely diverging pace in the countries concerned.

As a result of the extension of the EU to 27 member states with new member candidates on the horizon and the rail transformation processes accomplished and / or taking shape in these and partially also in EU and non-EU countries alike, we can say that a *slow market integration process* in the whole UNECE area has been going on for the last two decades featuring a more *open road freight transport sector and an gradually opening railway sector* in most of the countries concerned.

As mentioned above, this opening process is *not without contradictions* and even reverse developments. There have recently been astonishing mergers and acquisitions in the road haulage sector by outstanding third party logistics companies in a number of EU member states. These transactions have possibly been *cross-financed from state budget* support available by law for deficit making activities (partly linked to the PSO) of still state-owned old monopolies, like national railway or postal operators, who thus *actually* try to become *the owners of the rapidly growing logistics companies*. It is not really an exaggeration to say that these mergers and acquisitions if tolerated further on the account of the tax payers may lead to some sort of an undeclared re-nationalisation of parts of the haulage sector. (*Cf. further details in Chapter 6*)

5. Broad review of market access conditions for international operators

5.1 Introduction to the admission to profession, quantitative and qualitative criteria considered from the point of view of openness of the profession for new entrants

Under Chapter 4.2 a few reasons for an early *quantitative* regulation of the access to the profession of hauliers have been exposed. Admittedly, there were *not only external reasons* (protection of the railways) but also *sector-internal* arguments for maintaining restrictive quotas of approved hauliers, namely for the protection of their own comfortable position against potential new-comers. Under these closed-shop conditions those willing to start up a haulage business had to prove that there was sufficient additional market demand to cope with through increased supply. Those "in" had the opportunity to challenge the would-be entrant's admission demand with much chance of winning the case, i.e. authorities turning down the request for new operating licences.

Freight rates were regulated by law and therefore market competition reduced to a minimum. *Low service quality* was just a logical consequence of the rigid and protective access conditions.

Growing demand for much more sophisticated road freight transport with more and more value-added services in the form of modern logistic solutions made the *rigid quantitative forms of admission to the profession explode*. This is the era featuring deregulation of the road haulage sector starting in the 70s-80s of the last century in the US and spreading over to many parts of the world, among other things the UNECE region of our interest where the qualitative model of admission to the profession was first applied in "old member countries" of the EU.

Today, the present EU membership fully applies the qualitative model as part of the "*acquis communautaire*" while non-EU UNECE member countries have taken over the most important elements of this model, partly as a result of their whole social-economic scheme changing from central planning / state ownership to the capitalistic social-economic system, partly through various incentive schemes decided upon in international bilateral and multilateral agreements in the field of international road freight transport.

The basic requirements of admission to the profession of a haulier are well known therefore we expose them just briefly on the basis of EU Regulation EC/1071/2009[9]:

Undertakings engaged in the occupation of road transport operator shall:

(a) have an effective and stable establishment in a Member State;

(b) be of good repute;

(c) have appropriate financial standing; and

(d) have the requisite professional competence.

Among further conditions it is important to recall that a true transport manager should conduct the daily business of the haulier.

5.2 Introduction to the basic conditions of access to international markets from the point of view of openness of access for licenced operators to various market segments:

5.2.1 Group-intern, bilateral and multilateral systems

International market access conditions are regulated today either by internal common rules of a *group of countries* (e.g. the EU) or *bilateral and / or multilateral* road freight transport agreements. These agreements may contain qualitative and /or quantitative market access rules.

Regarding EU-intern rules, basic conditions of international road freight market access are the following on the basis of the Regulation EC/1072/2009[10]:

Rules apply to hire and reward activities (not to own-account transport, cf. below)

[9] Regulation (EC) No 1071/2009 of the European Parliament and of the Council of 21 October 2009 establishing common rules concerning the conditions to be complied with to pursue the occupation of road transport operator and repealing Council Directive 96/26/EC
http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:300:0051:01:EN:HTML

10 Regulation (EC) No 1072/2009 of the European Parliament and of the Council of 21 October 2009 on common rules for access to the international road haulage market
http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:300:0072:01:EN:HTML

Rules apply only in limited sense to transport still under bilateral agreements concluded between an EU and non-EU (third) country

Certain types of carriage do not require a Community licence (including own account transport under the following conditions: (i) the goods carried are the property of the undertaking, etc; (ii) the purpose of the journey is to carry the goods to or from the undertaking … either inside or outside the undertaking for its own requirements; (iii) motor vehicles used for such carriage are driven by personnel employed by … the undertaking …; (iv) the vehicles carrying the goods are owned by the undertaking, have been bought by it on deferred terms or have been hired ; (v) such carriage is no more than ancillary to the overall activities of the undertaking)

International carriage shall be carried out subject to the possession of a Community licence and, if the driver is a national of a third country, in conjunction with a driver attestation.

In accordance with these rules, an EU-established operator is free to carry out any international operation within the EU if in possession of a Community licence that is issued to all operators established in an EU member state and admitted there to the occupation in accordance with EU legislation. This ideal state of market access conditions can be called the "fully open conditions".

There is still one exception to the fully open conditions even within the EU and this is the access to cabotage operations which is subject to the following temporal and quantitative limitations:

goods delivered subsequent to an incoming loaded international operation, hauliers are permitted to carry out, up to 3 cabotage operations; the last unloading in the course of a cabotage operation before leaving the host Member State shall take place within 7 days from the last unloading in the host Member State in the course of the incoming international carriage

hauliers are limited to 1 cabotage operation per Member State within 3 days of an unladen entry into the territory of that Member State.

Bilateral agreements between individual EU and non-EU UNECE member countries on the one hand and between individual non-EU countries on the other hand normally contain a mix of quantitative limitations and qualitative rules of access to international markets. These agreements are based on the principle of bilateral reciprocity which is an automatic origin of the non-application of the Most-Favoured-Nation (MFN) treatment simply meaning discrimination among any involved countries' (Country A & B) partner countries (Countries C, D, …X) and their national hauliers.

Which are the chief types of quantitative limitations in bilateral agreements on international road freight transport?

Operations subject to individual permits

Annual quotas on permits for bilateral transports (between countries A and B by operators established in the other country, i.e. in A or B); special sub-category of bilateral transports: annual quotas on permits for the so called small border transport (e.g. conducted within 50 km from A's and B's common border as the crow flies by hauliers of the other contracting party)

Annual quotas on permits for transit operations (via countries A or B by operators established in the other country, i.e. A or B)

Total prohibition of or very limited annual quota on permits for third-country transport operations often under specific conditions such as mandatory transit via the country of establishment (between A and C by operators established in B via the territory of B and between B and C by operators established in A via the territory of A)

Total prohibition of cabotage transport (between two geographic points in A by operators established in B and between two geographic points in B by operators established in A)

Limited quotas of permits exempt from certain fiscal imposition

Time limitation of use of permits within a calendar year

Prescribed entry points and / or mandatory routes

Roughly over the last fifteen years, qualitative market access criteria have started to be applied in bilateral road transport agreements without really abolishing only softening previous quantitative limitations. Under the aegis of a

number of bilateral agreements contracting parties have accepted quality conditions for any further increase of restricted quotas of permits, such as:

- Strict application and enforcement for hauliers established in the country of the other contracting party of driving and rest time rules
- Application for hauliers established in the country of the other contracting party of admission-to-the-occupation rules of qualitative nature similar to those of the EU
- Extended use of more environment-friendly vehicles (the higher up on the "E"-norm scale of engines, the better and more rewarded by additional permits)
- Etc.

It should be emphasised that bilateral road transport agreements are anachronistic remnants of a previous phase of development of international road haulage. It is difficult to argue for more open arrangements, like multilateral quotas for example (cf. 5.2.3) in crisis times but once Europe and the world have the crisis out of the way, resumed international trade will have great problems with limitative arrangements for the most versatile international land transport mode, haulage.

Beyond the economic rationale, there is also a very strong set of legal arguments against rigid bilateral agreements: their contracting parties are in a clear breach of their obligations regarding openness under other legal instruments like international conventions. In this context, the government of the Republic of Turkey has recently proposed11 the alignment of bilateral road transport agreements on provisions of the General Agreement on Tariffs and Trade (GATT) of 1994, the United Nations Convention on Transit Trade of Land-Locked States (New York Convention) of 8 July 1965 and the United Nations Convention on the Law of the Sea (Montego Bay Convention) of 10 December 1982 as well as the Consolidated Resolution on the Facilitation of Road Transport (R.E.4) of the UNECE. Such an alignment would basically open the way for unconditional (free) transit operations via the territory of the contracting parties.

5.2.2 Admission to the Profession and Market Access for International Own-Account Transport (OAT)

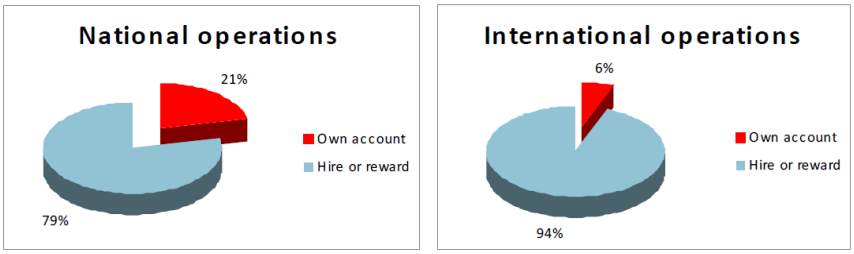
Before turning to multilateral haulage permit arrangements for hire-and-reward transport operations, conditions if any of the admission to the profession and market access for international own-account road freight transport (OAT) should very briefly be looked at. The only reason for doing so is that though OAT is not part of the transport market, its external influence on the market is enormous since generally speaking and if for nothing else, the bigger the OAT activity in a country the smaller the size of the road freight transport market and vice versa.

Smolders[12] believes that with the deregulation of the haulage business, OAT has partially lost its raison d'être due to the fact that hire-and-reward operators have been able to offer loading capacities for low prices and at high service quality levels. Indeed, outsourcing is a continued process ever since the ECMT Round Table on OAT back in 1999. Smolders is certain that OAT should not be subject to any admission-to-the-occupation rules but yes to all other traffic regulations (e.g. regarding vehicle technical specifications and driver's hours). At the end of the 90s, OAT in tonnes represented a considerable share of all goods moved within the EU (44% of domestic and 42% of all tonnage on road, while only 25% in tonne-kilometres). Over the past 15 years these proportions must have diminished though available statistics do not show a radical change in OAT's share in total road freight transport in the EU. (Chart 13)

Chart 13: Share of own account and hire and reward in national and international transport operations based on tonne-km, 2006, EU-27

[11] Quantitative restrictions imposed on international road transport of goods, Submitted by the Government of Republic of Turkey to UNECE ITC Working Party on Road Transport, 105th session, Geneva, 29 September–1 October 2010, Item 7 (b) of the provisional agenda

[12] Wim Smolders, International Road Transport Union (IRU), Road Freight Transport for Own Account in Europe, Report of the hundred and fifth Round Table on Transport Economics, ECMT, Paris 4-5 November 1999



Source: Road Freight Transport *Vademecum*, European Commission, Directorate General Energy and Transport, Directorate E – Inland Transport, Unit E.1 – Land Transport Policy, March 2009

As seen above (cf. 5.1 and 5.2), OAT is not subject to the requirements for the admission to the occupation and it is also exempt from market access rules in the EU if OAT is clearly operated under the conditions listed (very simplistically: if own goods are being transported in own vehicles driven by own drivers). Conditions in other UNECE member countries may however be different. Governments in EU or non-EU countries are free for example to impose at least the obligation of registration for OAT operators if only for statistical and certain checking purposes.

5.2.2.1 Regional solutions for market access

The limits of the international bilateral access schemes were identified and acknowledged by transport politicians at an early stage. Ways out of tight bilateralism were looked for and the arch-example for an almost ideal solution was set by the EU. (Cf. 5.2.1 above)

5.2.2.2 ECMT Quota

Well before the EU model was achieved through a rapidly growing common EC quota of multilateral permits ending in 1992 in a full access opening (except for cabotage), a special multilateral quota had been established by the European Conference of Ministers of Transport (ECMT) under OECD's flag. The symbolic impact of the ECMT quota has always been very important on the haulage market though the share of international operations on the total international road freight transport market of the ECMT member countries has always remained marginal (around 5-6%).

The report of a High Level Group for the development of the multilateral quota system summarises almost 40 years' history of the ECMT quota system as follows[13]:

"The ECMT Multilateral Quota System has been operating since January 1974 with the aim of both facilitating trade and improving efficiency in the international road freight transport market. It has developed over the years, responding to both changes in membership and transport policies, with membership more than doubling in the 1990s to over 40 countries. It has responded to growing concerns about the environment in its development of the green lorry concept with the overall aim of making the System a symbol of the highest quality in international transport."

The underlying principles of the ECMT quota operations are the following based on ministerial decisions, the latest of which were adopted in 2005 (this list is a reproduction, partially a full quotation of the "Principles" appearing in report of the High Level Group).

The quota should:

- become a symbol of the highest quality
- continue to contribute to improving efficiency and opening markets
- seek to strengthen and harmonise controls and sanctions
- be distributed on the basis of real needs and efficient use
- be aimed at the reduction of empty runs
- not create discrimination between different States
- not create additional bureaucracy in the management of the system but should rather simplify it
- adhere to the principle according to which any measure of liberalization should be accompanied by measures which seek to raise quality and standardise the terms of competition

13 Report of the High Level Group for the development of the multilateral quota system, ITF(2011)3, 4 May 2011

It is well known that the further development and even the proper functioning of the ECMT quota have met serious difficulties over the last ten years. The High Level Group identifies the main problems as follows (partially full quotations):

- the distribution of licences between the countries remains unbalanced
- the restriction regarding the use of the licences (3-journey rule, 2006) has reduced the efficiency of usage of the ECMT quota
- very limited progress has been made concerning the accounting by the system of social conditions and the conditions for exercising the profession
- the system of controls and sanctions in the Quota System are mainly the responsibility of the country where the vehicle is registered and there is little cooperation between the various national supervisory authorities
- some countries have become more protectionist, an attitude undoubtedly reinforced by the recent economic crisis

The High Level Group proposes the following general measures to save the ECMT system:

"The opening of the markets must be matched with an increase in the quality of transport operations and improved regulation of the rules governing the System."

"In such a system harmonisation would be a corollary of fixed quality standards rather than a basic driver. This concept of quality encompasses not only the vehicle but also the drivers, the companies and the applicable rules."

The ECMT quota should be equipped with "automatic mechanisms for the redistribution of the quota and a gradual increase in the basic quota, linked to the enhanced quality standards in the system" as stated by the Group.

In this context, it may be added that the new geo-political realities of the extended EU should duly be considered: in the coming years ECMT licences could be allocated to the EU (the Commission) in one single lot instead of ECMT splitting up the licences according to national quotas among the individual 27 ECMT/EU member countries. Thus as part of the new mechanism of quota redistribution, the European Commission could supply ECMT licences to EU member states according to their real needs.

Among the High Level Group's recommendations, beyond an appeal to countries concerned to lift gradually their specific reservations and restrictions on the quota application, the Group puts forward explicit proposals for quality improvements in respect of vehicles, multimodal transport, social conditions of work, checks and sanctions and tools for implementing the quota reform.

Finally, the High Level Group opts for the continuation of opening international haulage markets by means of a reformed ECMT multilateral quota whereby the aim should be "in the longer term … for an open system at high quality and dates, for example 2030, should be set for this", a target which indeed should ideally be met.

5.2.2.3 BSEC Quota

The Union of Road Transport Associations, an ngo, in the region of the Black Sea Economic Cooperation (BSEC) governmental organization was set up as a cooperation forum of road transport associations in the year of 2001 (BSEC URTA).

Experiencing the restraints of bilateral road transport agreements, BSEC URTA, influenced by the example of the ECMT model, decided to set up a multilateral quota system in order to facilitate international haulage among seven (i.e. not all) BSEC member states of the region in September 2009.

According to the Guide for government officials and transport operators on the use of the BSEC permit[14]:

"The BSEC Permit is a multilateral permit established by the Participating Member States for the international carriage of goods by road for hire or reward by transport undertakings using vehicles registered in a Participating BSEC Member State. It is established for a transport operation being performed in transit through the territory of one or more Participating BSEC Member States. The BSEC Permit does not allow loading/unloading operations within the territory of the Participating BSEC Member States. The BSEC Permit does not allow the Third Country Transport operations. The BSEC Permit does not allow Cabotage." (Italics by the author)

For 2010, 1'400 transit permits were exchanged among the participating countries (200 pieces issued by each country), each permit allowing a single round trip, including the related empty runs. The utilisation of the new facility started at a moderate level in 2010. In April 2011, member country governments agreed to allow the use of BSEC multilateral permits beyond transit also for bilateral transports. This extension of the scope of BSEC permits might give a boost to a more efficient use of this multilateral quota.

5.2.2.4 Rules and conditions for international road freight transport in Central Asia and neighbouring countries

Rules and conditions for international road freight transport in Central Asia and neighbouring countries, most of them located within the geographic scope of UNECE, certainly deviate from prevailing conditions in the EU or other European regions.

Part of the countries concerned is earlier republics of the former Soviet Union that inherited a centrally planned and state-owned road transport sector with its bureaucratic central administrative management structure.

De-nationalisation has taken place in these countries resulting in some (former) elements of state-owned and a great number of private haulage enterprises co-existing and operating in the international road freight transport market.

Accompanying this important change in the general socio-economic environment, a reform of the regulatory scheme of international haulage has taken place. Basic international governmental ties have been established in the almost exclusive form of bilateral road transport agreements between newly and formerly independent countries. The model of these agreements features strict quantitative limitations of permit quotas on the basis of bilateral reciprocity.

The bilateral arrangements may have promoted the extension of international road freight transport activities in the period of transition from centrally planned to market driven economic structures but their well-known draw-backs may soon inhibit the further progress of the sector. There will be a growing pressure to introduce a multilateral component into the regulatory scheme in order to achieve the necessary facilitation of international haulage also in this part of the world in line with changing demand of shippers for more complex international road haulage services. (Cf. other parts of 5.2.3)

Under the pressure of going "more open" and "more multilateral" and with the support from the UNECE and UNESCAP, a number of the countries concerned have acceded to some of the most *important multilateral UN*

[14] Guide for Government Officials and Transport Operators on the Use of the BSEC Permit
http://www.bsec-urta.org:8090/content/files/bsec%20permit/BSEC_USER_GUIDE_ALL_LANGUAGE.pdf

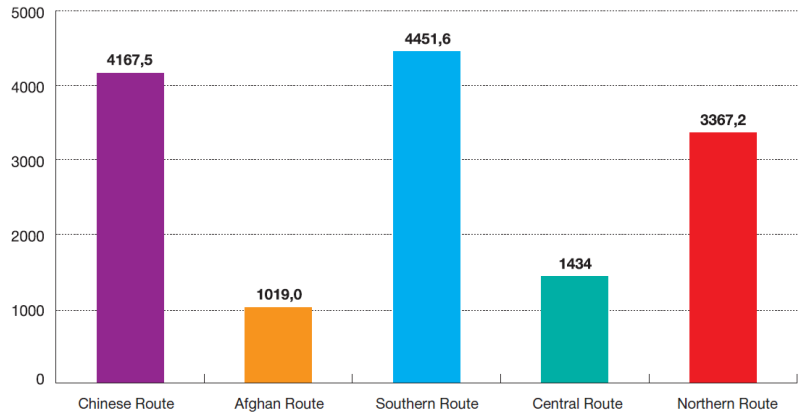
conventions of relevance for international haulage operations, like TIR, CMR, AGR, Vienna Convention on road traffic, etc.

While some of the regional forms of multilateral cooperation seem to have seen successful implementation, other initiatives have failed or remained only on paper without coherent follow-up due to the lack of sufficient political will and / or economic interest. For example, the recently established customs union among Belarus, Kazakhstan and the Russian Federation, though not strictly in the field of international transport but of direct impact on this industry, seems to have been duly realised over the last few years. Efforts to create similar multilateral structures in international transport, like within the CIS, have not taken off the ground. Other structures like GUAM (Georgia, Ukraine, Azerbaijan and Moldova) or EurAsEC (Eurasian Economic Community – Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan) are still to prove their direct importance regarding the development of international road freight transport.

The Shanghai Cooperation Organisation (SCO - China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan) has worked on the development of a multilateral agreement on facilitating international road transport since 2004 without the document having been adopted by the member governments. By the end of 2008, the basic agreement was almost finalised15 but important supplements (on permits and licences, routes, border crossing points, vehicles weights and dimensions, etc.) were still to be drafted. The latest transport ministerial meeting on the subject matter was held in November 2009 without any important break-through.

According to the IRU NELTI 2 final report16 there is a return to pre-crisis volumes of road cargo transport on certain Eurasian routes, however, a full recovery is still to be expected. This report also states that an important precondition of any significant progress of international haulage in the Central Asian region would be the proper development of auxiliary services along main highways17 (e.g. fuel stations, parking lots, motels and other facilities for the drivers, vehicle repair and maintenance workshops, appropriate border crossing points, etc.). The IRU report on the 2nd phase of NELTI (New Eurasian Land Transport Initiative) explains: distances covered by the pilot international operations just cannot be compared to distances of international runs in Europe, their average attaining 4019 km to reach European destinations. (Chart 14)

Chart 14: NELTI 2 average distances by selected routes, km



Source: NELTI 2 Final Report & Road Map, Undertaken by NEA Transport Research Institute (Netherlands) in Cooperation with the International Road Transport Union (IRU)

[15] Work continues on the SCO multilateral road transport agreement, information on the IRU website, http://www.iru-nelti.org/index/news-app/story.814

16 NELTI 2 Final Report & Road Map, Undertaken by NEA Transport Research Institute (Netherlands) in Cooperation with the International Road Transport Union (IRU)
http://www.iru-nelti.ru/index/cms-filesystem-action?file=nelti3/Nelti2011.E.pdf

[17] IRU "Model Highway Initiative" project (MHI) presented at the annual meeting of the Asian Development Bank in Tashkent, May 2010

The average cargo movement speed along NELTI routes is 18.4 km/h, while if there were no idling at borders this speed would increase to 30.4 km/h.

The report defines the main tasks of facilitating international road freight transport between Asia and Europe as follows:

- Bilateral road transport agreements should be revised
- WTO GATT Art. 5 should be applied to transit movements
- Bilateral transport permit quotas should be lifted in a phased-out manner
- Multilateral road transport facilitation agreements should be signed
- UN transport conventions should be adhered to
- World Customs Organisation (WCO) norms and promoted technologies should be applied for customs operations
- EURO 4-6 vehicles should be introduced for international hauls
- Professional training should be improved

5.2.2.5 International road freight transport of the People's Republic of China

The international transport community has been deeply interested in and it has very actively promoted the opening of the Chinese international road freight transport market over the last 10-15 years. Indeed there is a spectacular discrepancy between China becoming the world's factory for most consumer goods while its transport market is still relatively closed. With common borders to 15 neighbouring states, however, China is more and more conscious of the importance of well-functioning international road freight transport across these borders. A recent IRU study18 on China lists 11 bilateral and three multilateral agreements signed over the last twenty years. (Table 1)

Table 1: Bilateral & multilateral road transport agreements between China and its neighbouring countries

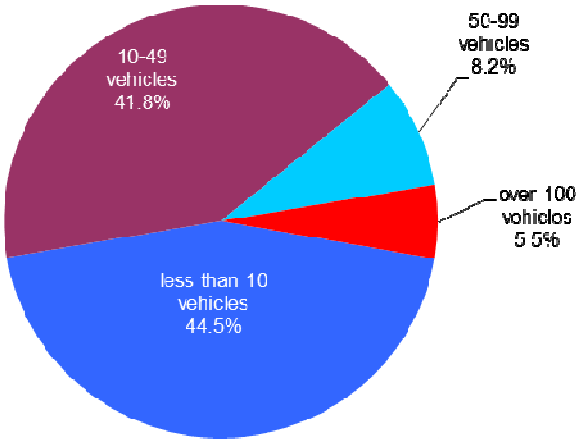
Agreement	Area	Countries	Date
Bilateral Road Transport Agreements	**Central Asia Area**	China, Kazakhstan	1992
		China, Uzbekistan	1993
		China, Kyrgyzstan	1994
		China, Tajikistan	2008
	Northeast Asia Area	China, Mongolia	1991
		China, Russia	1992
		China, DPRK	2008
	Southeast and South Asia	China, Pakistan	1993
		China, Nepal	1994
		China, Vietnam	1994
		China, Laos	1993
Multilateral Transport Agreements	**Central Asia Area**	China, Pakistan, Kazakhstan, Kyrgyzstan	1995
		China, Kyrgyzstan, Uzbekistan	1998
	Southeast Asia Area	GMS six countries: Cambodia, China, Laos, Myanmar, Thailand and Vietnam	2002

Source: Road Transport in the People's Republic of China, IRU, December 2009 http://www.iru.org/en_bookshop_item?id=2

The number of international hauliers registered in China was still surprisingly low in 2007: 220 (!) companies most of which have less than 50 vehicles. (Chart 15)

[18] Road Transport in the People's Republic of China, IRU, December 2009
http://www.iru.org/en_bookshop_item?id=2

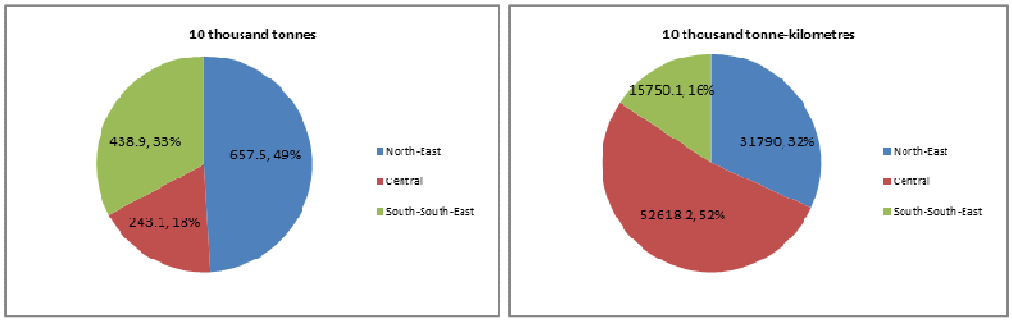
Chart 15: Composition of international road transport enterprises, China PRC, 2007



Source: Road Transport in the People's Republic of China, IRU, December 2009 http://www.iru.org/en_bookshop_item?id=2

The quoted IRU report identifies three main regions of relevance for international road freight transport for China, namely, Northeast Asia Area (Russia, Mongolia and DPRK), Central Asia Area (Kazakhstan, Kyrgyzstan and Tajikistan) and Southeast and South Asia Area (Vietnam, Pakistan, Laos, Myanmar and Nepal). (Chart 16 and Table 8 in Annex 1) It is interesting to see that almost 50% of the cargo volume was transported to the North-East, while more than 50% of tonne-kilometres were performed to the centrally located countries.

Chart 16: Freight tonnes and tonne-kilometre performance in China's international road freight transport by region, 2007, 10 thousand tonnes / tonne-kilometres



Source: Road Transport in the People's Republic of China, IRU, December 2009 http://www.iru.org/en_bookshop_item?id=2

The mentioned study determines opportunities and challenges for the Chinese international freight transport sector in the following way: "the contents of some road transport agreements and conventions signed by China still need to be enhanced; existing non-physical obstacles increasing transport costs and lowering the service quality should be diminished …; the incomplete infrastructure of border posts should be improved as they cannot adapt to the demands of the rapid development of import and export transport due to outmoded facilities and inadequate control technology".

In reply to these issues, the Chinese government continues with the rapid implementation of its road (motorway) network development plans, deepens the cooperation of international hauliers with their foreign counterparts and puts more emphasis on sustainability and road safety. It is however clear that if China wants to open up its road freight market, it should join major international conventions: TIR (preparations have been going on over the last 10 years), CMR, Convention on the temporary importation of commercial vehicles, Vienna conventions (road traffic, signs and signals), harmonisation of frontier controls convention.

Acceding to the SCO road transport facilitation agreement once approved by the future contracting parties is still on the governmental agenda (see above in this Chapter). China implements also the Great Mekong Sub-Region Cross-border Transport Agreement (GMS CBTA) and pilot operations within this framework have been conducted.

It is certainly worth to put here an extract of a comparative table of the planned SCO and the existing GMS CBTA arrangements, the latter in principle approved but not yet applied to its full extent. It clearly shows the many-faceted aspects and tasks of the two regional agreements to be fulfilled before one can seriously talk about facilitating access to the market issues in the regions concerned. (Table 2)

Table 2: Comparison of the SCO Agreement and the GMS Cross-border Transport Agreement

	SCO Agreement	GMS Cross-border Transport Agreement
Routes and border crossings	Protocol	Protocol
Transit rights	Grants right of transit for vehicles, goods, passengers; Allows the carrying of goods and passengers between two countries or in transit subject to permits.	Grants freedom of transit
Customs duties/ taxes for transit	Exempt	Exempt
Charges permitted	Charges for specific services and use of infrastructure	Protocol; Cost related.
Transport permits	Protocol	Exchange every year; Determined in protocol.
Traffic rules	Conforms in substance to the provisions of the Convention on Road Traffic and the Convention on Road Signs and Signals, 1968; Take necessary steps to accede to Conventions.	Annex
Environment	Ensure protection of environment	Not specified
Special goods	Carriage of dangerous goods listed in Protocol prohibited unless special permission; Special permit for perishable goods.	Not applicable to dangerous goods; Grant priority to perishable goods; Annex.
Temporary admission of vehicles	Exempt from Customs duties, charges and taxes for fuel and lubricants, spare parts and tools for repair; Unused and replaced spare parts are subject to re-export.	Exempt from duties, taxes, deposit for vehicles, fuel in tank, lubricants, maintenance supplies, spare parts in reasonable quantities; Subject to re-exportation; Identification marks, certificate, license plate with country sign.
Temporary admission of containers	Recommends Customs Convention on Containers 1972	Annex
Technical requirements of vehicles	Protocol	Satisfy equipment safety and emission standards of home country; Weights, axle loads and dimensions follow host country
Insurance	Establish international compulsory motor vehicle 3rd party liability insurance scheme	Compulsory 3rd party motor vehicle liability insurance required by host country
Facilitation measures	Recommends International Convention on the Harmonization of Frontier Controls on Goods 1982; Recommends Kyoto Convention.	Single window inspection; Single stop inspection; Coordination of hours; Advance exchange of information/clearance; Exemption from physical Customs inspection, bond deposit and escort.

Customs control	Apply TIR Convention; Consider possibility of acceding to this Convention; Simplify Customs control as per Annex.	Advance exchange of information/clearance; Exemption from physical Customs inspection, bond deposit and escort Each Contracting Party shall authorise a national organisation to issue the Transit and Inland Customs Clearance Document and guarantee the Customs Authority of the Host Country the payment of export and import duties and taxes in case of irregularities. Liability of the authorised issuing/guaranteeing organisation shall be limited to SDR 35,000 for the goods; SDR 20,000 per Temporary Admission Document issued for the vehicle; SDR 300 per Temporary Admission Document issued for the container. The issuing/guaranteeing organisation shall provide the Host Country Customs Authorities with an always to-be-replenished security: maximum of SDR 70,000 (guarantee for the goods), SDR 40,000 (guarantee for the vehicle), and SDR 600 (guarantee for the container).
Relationship with other international instruments	Not to prevent mandatory provisions of international conventions	Not to affect the rights and obligations under existing agreements/international conventions
Dispute settlement	1. Bilateral consultation, negotiation; 2. Multilateral consultation in SCO.	1. Bilateral consultation, negotiation; 2. Multilateral consultation in Joint Committee
Observance of domestic legislation	Domestic legislation applies to areas not laid down in the agreement	Comply to laws and regulations in host country; Sole competence of host country; May deny access to a person, a driver, an operator or a vehicle.
Contracting parties	SCO members; Non-member with consent of SCO members	Not specified (trilateral agreement originally)

Source: Road Transport in the People's Republic of China, IRU, December 2009 http://www.iru.org/en_bookshop_item?id=2

Finally, at the major road freight border crossing points four major checks are conducted (full quote from the cited report):

1. Quality Supervision, Inspection and Quarantine Department should inspect the goods and issue the necessary certificates.
2. Secondly, Customs should check the goods and put them into a specific zone to wait for departure.
3. Thirdly, the Transport Administration should check the vehicle and stamp the transport permits.
4. Finally, the Exit & Entry Administration should check the passport.

The list of the major border crossing points has been published in the mentioned study (Table 3):

Table 3: Major road border-crossing points of the People's Republic of China

Border Crossing Point	Region	Province	Traffic directions
Suifenhe, Dongning	North-East	Heilongjiang	Russia
Juanhe, Hunchun		Jilin	Russia, North Korea
Dandong		Liaoning	North Korea
Manzhouli, Erlianhot		Inner Mongolia	Russia, Mongolia
Horgos, Alataw Shankou	North-West	Xinjiang	Russia, Kazakhstan, Kyrgyzstan, Tajikistan
Mohan, Ruili, Hekou	South-West	Yunnan	Lao PDR, Myanmar, Vietnam
Dongxing, Youyiguan		Guangxi	Vietnam

5.2.2.6 The *NAFTA* rules for international road freight transport: access of Mexican hauliers to the export-import freight market of the US

Europe, Central Asia or China on the Eurasian Continent are not alone with problems to overcome in order to facilitate access to the markets in road freight transport. The North-American Free Trade Agreement (NAFTA) countries as well as other American states (e.g. in Central-America – see 5.2.3.6) have met serious difficulties of the type. (Chart 17)

Chart 17: Road Freight Transport Market Access Problem Areas in the America

Source: http://mapas.owje.com/maps/1_middle-america-1994.html

The arguments of protectionists in America are very close to those experienced on the Eurasian continent: defence of market interests, fear of dumping rates, road safety and security concerns, fear of illegal cabotage activities, anxiety about illegal immigration, etc. There is in America, with some exceptions (like between Canada and the US), a similar contradiction between relatively open foreign trade exchange conditions and closed relationships in international haulage as between China and the rest of the world.

The complications experienced in US-Mexico trucking relations clearly witness about the seriousness of the problem (various web sources have been used as quoted19 to describe the situation):

Following a trade dispute in 1982, the US limited Mexican trucks to commercial zones near the border.

NAFTA, a trilateral free trade agreement among Canada, Mexico, and the US signed on December 17, 1992 in order to phase out barriers to trade in goods and services and to investments among the contracting states, includes provisions on cross-border trucking.

[19] NAFTA Developments, NAFTA - Transportation Related Provisions, U.S. Department of Transportation Federal Motor Carrier Safety Administration http://www.fmcsa.dot.gov/intl-programs/naftatrans.htm; ATA Supports NAFTA-Required Opening of US-Mexico Border Pilot Project Announced by USDOT is a Step Toward Efficiency, ATA PRESS RELEASE Contact: Clayton Boyce Feb. 23, 2007 (703) 838-7902 ALEXANDRIA, Va. Bulk Transporter, 17 March 2009, 1:45PM http://bulktransporter.com/management/tank-truck/obama-nafta-mexican-trucks-cross-border-0317/NAFTA and Mexican trucks, 11 March 2010 (19a)http://www.highwayhags.com/2010/03/11/nafta-and-mexican-trucks/ Mexico-Domiciled Trucks and NAFTA (19b) http://www.citizen.org/autosafety/Truck_Safety/mex_trucks/

The importance of the matter is high: daily, about $2.4 billion in trade flows between the US, Mexico and Canada. Between 75 and 80 per cent of the value of that trade is carried by truck.

While there is free access to international haulage markets between the US and Canada, performing a single truck shipment without the implementation of NAFTA between the United States and Mexico requires three drivers and three tractors. A trailer crossing the border must be transferred from the originating carrier to a border carrier, cross the border and be transferred again to a third carrier to take it to its destination. About nine million such crossings took place in 2005.

Subsequent to ratifications of NAFTA and the issuance of implementing legislation in 1993, trucking provisions were put on hold by the US in 1995. In 2001, a NAFTA dispute resolution panel ruled that the US could not ban trucks from Mexico. In addition, in the same year US Congress imposed a number of safety requirements on Mexican vehicles that had to be met before any opening.

In 2007, the US authorised a pilot program to achieve a phased-in opening to give US and Mexican carriers the experience in operating in both markets and to gradually clarify and detail the border opening procedures. The pilot provided reciprocal opportunities to international transport shipments to and from US and Mexico destinations. Approximately 100 Mexican and the same number of US carriers participated in the program.

Mexican carriers had to comply with all of the US safety, environmental, insurance, homeland security, insurance, fiscal, registration and other regulatory requirements. They were allowed to transport only international cargo, not US domestic cargo.

Early 2009, US Authorities announced the termination of the demonstration project. As a response to the Mexican announcement to take retaliatory trade actions, the US President tasked the US authorities to propose legislation to meet the NAFTA agreement that allows Mexican-licensed trucks to travel beyond commercial zones along the US-Mexico border. Simultaneously, the US Chamber of Commerce launched a new campaign to push the White House and Congress to open US roads to Mexico-domiciled trucking companies and truck drivers.

There is still a lot of opposition to and fear of opening for Mexican operators in the US: opponents claim that the "US Chamber represents … only multi-national corporations and does not represent the interests of local and state chambers of commercial organizations. They … trample on hardworking Americans and jeopardize the safety and security of our country. … They see the fallout from the tariffs that Mexico has imposed on US exports (= the retaliatory measures by Mexico – comment by the author) as the best opportunity they have had in years to force open our border and our roads to truckers from Mexico. They well know that companies and drivers from Mexico will be cheap and exploitable. … enough American jobs have been outsourced to other countries, I encourage you to contact your U.S. Senators and Representative to let them know how you feel about allowing Mexican truck drivers on our highways."[19a].

Furthermore, "Public Citizen supports legislation to require on-site inspections of Mexico-domiciled carriers; add inspection facilities, equipment and inspectors to the border crossings; and ensure that Mexican truckers comply with all U.S. safety requirements, including rules governing how long truckers may drive without rest"[19b].

In March 2011, the US President announced to resolve the long-standing trucking conflict between the two countries: "Under the US-Mexico deal, which still faces congressional and local scrutiny, the US would allow in Mexican trucks that comply with stringent safety standards. In return, Mexico would lift tariffs it imposed on US goods in retaliation for flouting the NAFTA provision. The Mexican trucks would carry recorders for verifying that they transported cross-border shipments and did not act as domestic transporters on the US side"[20].

[20] Mexican Trucks to Ply US Highways, Howard LaFranchi, Washington, March 4, 2011
http://www.csmonitor.com/USA/Foreign-Policy/2011/0304/Mexican-trucks-to-ply-US-highways-Obama-is-ready-to-roll

DeFazio blasts proposed U.S.-Mexico cross-border trucking program, Jeff Berman, Group News Editor
March 15, 2011 (20a)
http://www.logisticsmgmt.com/article/defazio_blasts_proposed_u.s.-mexico_cross-border_trucking_program/

The question is whether the US President will be able to end the deadlock in return for Mexico's lifting customs tariffs in phases on some 90 US products of an annual value of USD 2.4 billion. Opposition is building up again in the form of interventions by congressmen and drivers' associations while beyond the US Chamber of Commerce, there is a clear support for the opening by the American Trucking Association (ATA) if all US safety, technical and security criteria are properly implemented20a. The battle is not over yet … (Chart 18)

Chart 18: Mexican Trucks in line to enter US territory

Source:
http://www.google.ch/imgres?q=mexican+trucks+in+line+at+the+US+border&um=1&hl=fr&sa=N&rlz=1R2ADRA_enHU412&tbm=isch&tbnid=_yaniZMaLPTmQM:&imgrefurl=http://mexicotrucker.com/en/friday-rants-and-other-nonsense-about-mexican-trucks&docid=ByvkKTXnThuZ_M&w=282&h=250&ei=F3JoTsaxBMjssgaP4OWbAg&zoom=1&iact=hc&vpx=187&vpy=343&dur=121&hovh=200&hovw=225&tx=134&ty=148&page=8&tbnh=144&tbnw=162&start=131&ndsp=19&ved=1t:429,r:0,s:131&biw=1440&bih=682

5.2.2.7 Central-America: WTO dispute settlement on transit matters, the case *Panama vs. Colombia*

The General Agreement on Tariffs and Trade (GATT) of the World Trade Organisation (WTO), Article V, defines the term of transit and states the freedom of transit without any discrimination as to flag of vessel (vehicle), the place of origin, departure, entry, exit, destination, the route chosen or the ownership of goods, of vessels or of other means of transport via the most convenient routes and without unnecessary delays.

It allows the imposition of only reasonable charges and regulations exempting transit traffic from customs and transit duties except those for transportation or those commensurate with administrative expenses or costs of services rendered. It foresees the application of the Most Favoured Nation (MFN) treatment for transit traffic.

In June 2007, Colombia introduced measures against organised crime that require that certain types of goods (mainly textiles, clothing and footwear) arriving from Panama (and China) must enter Colombia only at Bogota Airport or Barranquilla seaport[21]. Such restrictions did not exist for the import of similar products from other countries (WTO Members) or other products.

In July 2007, Panama requested to apply the WTO dispute settlement (arbitrage) rules against Colombia, among other things on discriminative restrictions on ports of entry for certain of its goods exported to Colombia[22].

[21] See details at http://www.wto.org/english/news_e/news09_e/366r_e.htm

[22] http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds366_e.htm (*The latter source summarises the claim as follows*: "In relation to restrictions on ports of entry, Panama's request for consultations is directed at a resolution of June 2007 which provides that all goods classifiable in Chapters 50-64 of the Customs Tariff coming from the Free Zone of Colon in Panama shall be entered and imported exclusively through the jurisdictions of the Special Customs Administration of Bogota and the Barranquilla Customs Office. This requirement does not apply to goods arriving directly from third countries. The regulation provides that with respect to these goods, the

In its April 2009 decision, the WTO Dispute Settlement Panel upheld Panama's claims that the Colombian ports of entry restriction was inconsistent with the first and second sentences of Article V:2 and the first sentence of Article V:6 stating:

"There shall be freedom of transit through the territory of each contracting party, via the routes most convenient for international transit, for traffic in transit to or from the territory of other contracting parties. No distinction shall be made which is based on the flag of vessels, the place of origin, departure, entry, exit or destination, or on any circumstances relating to the ownership of goods, of vessels or of other means of transport." (GATT Art. V:2)

In this specific case, "freedom of transit" shall apply without any distinction to goods touching the territory of Panama, transiting through the territory of Colombia and reaching their final destination in another country.

"Each contracting party shall accord to products which have been in transit through the territory of any other contracting party treatment no less favourable than that which would have been accorded to such products had they been transported from their place of origin to their destination without going through the territory of such other contracting party." (GATT Art. V:6)

In this specific case, no less favourable treatment shall be given to goods arriving from Panama to Colombia than to goods which do not arrive from Panama.

The Panel also rejected Colombia's request to consider the application of GATT Article XX "General Exceptions" which allowed deviations from the general GATT rules in well justified "defence" cases.

The claim and the ruling on the basis of GATT Article V is of great importance as in WTO's dispute settlement history no procedure has ever been commenced by a contracting party for infractions to the freedom of transit principle. This dispute settlement decision has proven GATT's strength in transit matters both in respect of the traded cargo and the related transport operation. There are however far too many contracting parties to the GATT and not only in Central America who do not duly consider the full meaning of Article V in its present state in particular for transport relations and furthermore there is a danger that in course of the on-going trade facilitation negotiations within the Doha Development Agenda the substance of the original GATT article will be watered down to prevent its future accurate interpretation for access rights to road freight transit markets.

6. Business organisation and structure of the market

Business structures often "over-write" formal structures like the ownership fragmentation of the road freight transport sector.

6.1 Forwarders, contractors and subcontractors, chain of contracts, degree of fake independence

Hauliers and forwarders, as part of the logistic chain, conduct, in principle, different activities. In general, the forwarder is in charge of the organisation and preparation of logistic tasks permitting the carriage and other handling of carried goods. The haulier is in charge of the goods' physical movement and possibly other cargo manipulation in the form of value added services.

This differentiation seems to be superfluous to a certain degree since the two main activities are frequently conducted by one and the same company (>> intra-company affair).

In many other cases, however, hauliers, in particular, small-size ones do not have a "forwarding unit" and, vice versa, forwarders, even larger ones, do not have a "production unit" (>> external market-controlled relations).

In an "ideal" situation, inter-company relations are formalised by contracts directly established between the interested parties. In this case, the primary contract is signed between the shipper and the forwarder, latter signing a second direct contract with the haulier. The primary contract may even be signed directly between the shipper and the haulier. Depending on the nature of the transport operation, this may be a solid long-term contract, in other cases just a spot

authorization of the customs transit procedure will not be appropriate. Furthermore, the import declaration applicable to these imports shall be presented prior to their arrival in the national customs territory but not more than 15 days in advance. If an importer does not comply with these requirements, it is subject to special procedures under Colombia's Customs Code, including the detention of goods. Panama considers that these restrictions are inconsistent with Colombia's obligations pursuant to Articles XI:1, XIII:1, V:2, V:6 and I:1 of the GATT 1994."

market arrangement. This type of direct relationship may result in a high degree of integration on the marketplace whereby business structures unite the formally fragmented freight transport operators into vast, multifunctional and complex logistics conglomerates.

Often however, direct contracts are substituted by a series of secondary or intermediary sub-contracts. In this case, the classical direct relationship is replaced by a chain of sub-contracts.

This set-up can possibly result from:

- an over-supply on the road freight transport market, where the real service provider is at the mercy of superfluous intermediaries
- significant differences between the structure of the road transport industry and the forwarding / shipper sectors

Indeed, faced with the fragmented haulage sector (cf. Chapter 4.3), we find a highly organised and more concentrated sector of forwarders and complex logistic service providers.

The German example might serve as some evidence of the forwarders / complex logistics service providers' economic power in Germany, where according to Klaus and Kille23 the size of the logistic sector (physical and organisational activities) equalled Euro 170 billion in 2004 (7.2 % of GDP!), a size comparable to top industries in this country like vehicle manufacturing, the health sector or machine manufacturing.

The top ten forwarders / complex logistics service providers alone realised an annual revenue of Euro 19.7 billion (11.6% of the total market) in Germany, while the top 100 achieved Euro 44.7 billion (26.3%). The big players grew at a fast rate of 8-10% since 2001, to the detriment of SMEs achieving an important concentration effect on this market.

Comparable trends have been witnessed in Europe (for 15 EU and 2 non-EU countries) whereby the value of the logistic market equals Euro 730 billion, with the top ten companies in charge of Euro 97 billion (13.3%) representing a growth rate of 25% since 2001.

As per the description by the German Federal Goods Transport Authority (BAG) of the main features and position of the various interconnected companies on the German logistic market, German companies may be classified A, B and C as follows[24]:

Transport-oriented

- Owner-drivers and small operators (A1) with fewer than 10 vehicles: these are almost exclusively subcontractors of bigger transport companies, forwarders or express carriers in charge of traction from A to B; they are in a weak negotiating position and easily replaceable having no available investment resources; they have no direct contact with the shipper.
- Niche market suppliers (A2) such as special (heavy or oversize) cargo operators, car-carriers; these are highly appreciated by the shippers who maintain direct contact with these specialists;
- Traditional transport operators (SMEs) (A3) with a fleet between 11 and 50 vehicles; these carry out regular and mainly regional operations and they are in direct contact with the shipper; they may operate even several small warehouses; they are relatively well paid but they are not able to invest enough to enter market segments requiring more complex services; these SMEs are in danger of being pushed out of their direct relations with shippers.
- Medium-size specialists (A4) concentrating on transport and logistics in a given economic sector such as construction, foodstuff manufacturing, car production, oil industry, or the chemical manufacturing, etc.; they develop together with the shipper and frequently employ subcontractors for transport / logistic activities; the level of dependence of this specialist and its subcontractors on the shipper is very high; the investment requirement is challenging; special know-how is needed.

Forwarding / logistic service provider oriented

- Medium-size forwarders (B1) dealing with freight forwarding, logistics, warehousing, cargo handling, transport organisation (value-added services); typical examples are "small parcel" and "partial load" providers operating a

[23] Die "Top der Logistik" 2006, Peter Klaus und Christian Kille, 2006, Deutscher Verkehrsverlag, Hamburg

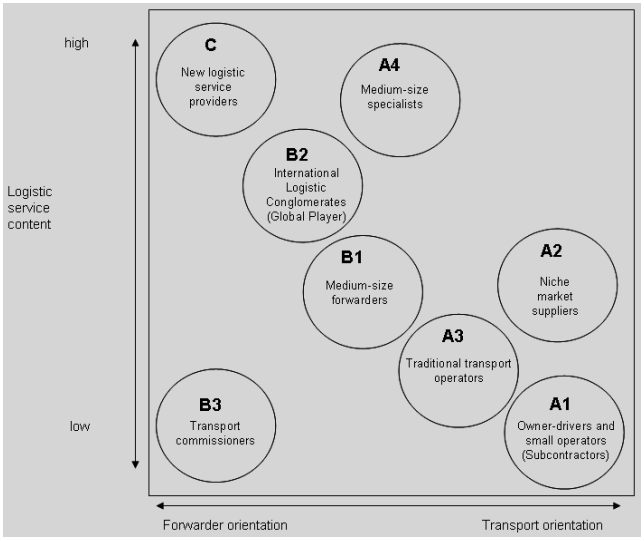
24 Marktbeobachtung Güterverkehr, Sonderbericht zum Strukturwandel im Güterverkehrsgewerbe, Budesamt für Güterverkehr, 2005

national or international network; they are in a more resilient position than the traditional hauliers; they operate with a great number of subcontractors.

- International Logistics Conglomerates or Global Players (B2) are traditional forwarding companies or the recently developed international Express Carriers of important sizes; they have strong continental and intercontinental linkages; they are market leaders controlling conditions of competition.
- Transport commissioners (B3) mediating between shipper and transport operator; they do not own vehicles; they are "opportunists" greatly dependent on market development;
- New logistic service providers (C) with a very high level of integration into the logistic chain of their clients, representing high specific know-how and operating specialised fleet and equipment.

BAG presents the German case according to the level of complexity of logistic operations and that of their transport or forwarder orientation. (Chart 19) Related information on the trucking industry in Canada can be consulted in a framed text. (Box 1)

Chart 19: Groups of Service Providers on the German Transport and Logistic Market



Source: Marktbeobachtung Güterverkehr, Sonderbericht zum Strukturwandel im Güterverkehrsgewerbe, Budesamt für Güterverkehr, 2005

The strong logistics & forwarding oriented players on the market are naturally most interested in freezing existing market relations and power positions using and often exploiting the structurally weak transport-oriented players, materialising more and more often in an abusive chain of sub-contractual relations.

In the era of debates on how to enhance service quality and security in the supply chain together with the imperative need to increase efficiency, economic and environmental sustainability of the transport and logistics industry, there seems to be a need to correct unnatural imbalances in the market.

There are indeed means to counter the harmful effects of such structural imbalances, e.g. via transport capacity pooling. SMEs, in particular owner-drivers, may want to join groups of similar suppliers in order to strengthen their commercial power and their impact on market developments. One form of pooling may be the utilisation of existing forms like road transport associations or groups established under their auspices. Such groups may act on a permanent or ad hoc basis not only for sales but also for purchase purposes, like mass purchasing of vehicles and equipment, procuring fuel at preferential rates, providing reasonable leasing or credit conditions, or purchasing materials and tyres, etc.

Pooling for sales purposes in the transport / logistics market and its modalities are less known[25]. One of the united functions may be joint canvassing coupled with an appropriate tool to distribute orders among pool members.

[25] There was such a special case of cut wood transportation in Finland a few years ago.

Developing such structures would help avoiding the need to use freight exchanges which though may be very useful for integrating the market are sources of serious problems such as price-cutting or economic crime.

A further means for diminishing harmful market developments could be the adoption of admission criteria for the forwarding sector. In some countries such admission schemes (licensing) exist, in other ones such requirements are in place at associative level. By contrast, there is no such regulation in a great number of countries of importance, given the role transport and logistics play in their economy. Some sort of a harmonised regulation seems to be necessary while problems should be solved related to the heterogeneous profile of the forwarder / logistic service sector as well as to the fact that SME forwarders may have difficulties clearing the hurdle of admission. This may lead to a further concentration of economic power (monopolies) in an already highly concentrated market. In this respect, reinforcing the implementation of general anti-monopoly / fair competition rules should be promoted accompanied by authorities rejecting abusive mergers and / or sanctioning unfair competition practices (price dumping, agreed market divisions, etc.). It particularly disturbs markets if state-owned and state-subsidised companies, like railways or postal services, acquire their market competitors. This type of acquisitions should be prohibited. (Box 2)

State controls should be further enhanced to prevent “transforming” employees (drivers) into fake independent status as an often illegal means to “save” social security and pension fund contributions by the company. Beyond state controls, transport associations may introduce their own recommendations for fair market conduct together with “sanctioning” at association level.

The legal responsibility of all players in respect of contracted operations should be shared out fairly by all players. The accent should be placed on maintaining legal responsibility regarding the person of the primary contractual operator (the one who signs the contract with or accepts the mandate from the real shipper).

It is worth mentioning in this chapter that the European Commission (EU) has just recently published a tender invitation26 to carry out an analysis of the road haulage market as required by Regulation (EC) No 1072/2009.

The European Commission states: “Although small firms predominate in terms of numbers in the road haulage sector, there appears to be a considerable and growing concentration in turnover and assets, especially once the existence of extensive sub-contracting is taken into consideration.” The questions to be discussed in this EC study are, among other things:

- the extent of subcontracting in the sector together with the nature and role of strategic alliances between hauliers, shippers and freight forwarders
- how does subcontracting work in practice? Subcontracting may take the form of long term contracts of several years, possibly even including financial assistance towards the purchase of vehicles or the provision of a vehicle, or spot contracts for single loads.
- what are the developments in the typical or prevailing general contracting terms and conditions, the negotiation of individual contracts versus the use of fixed freight forwarders' agreements, the evolution in average duration of contracts?
- special attention should be paid to the transport operations that take place within multinational companies even if they are carried out by third party service providers. How big a share of the national and international haulage markets do intra-company movements represent?
- the ownership structure of and control over haulage enterprises registered in the Member States that joined the EU in 2004 and 2007 should also be explored. It is thought that a share of the road haulage capacity in these countries is owned and effectively controlled by hauliers operating in the old EU-15 Member States but the extent of this phenomenon is not possible to judge based on available transport statistics.

[26] Invitation to tender No. MOVE/D1/2011/483-1 concerning "A preparatory study for the Commission report on the state of the EU road haulage market"
http://ec.europa.eu/dgs/transport/tenders/index_en.htm

Box 1: ***Trucking Industry Structure in Canada***

As a whole, the industry generated an estimated $67 billion in revenues in 2005.

In 2005, rankings by revenue of the 100 largest for-hire trucking operations in the United States and Canada included six Canadian carriers.

In 2006, based on total number of fleets' units, the top 10 for-hire trucking companies[2] in Canada were TransForce Income Fund (15,500 units); Contrans Income Fund (8,380 units); TransX, Winnipeg, Manitoba (4,860 units); SLH Transport, Kingston, Ontario (4,800 units); Challenger Motor Freight, Cambridge, Ontario (4,780 units); Day and Ross Transportation Group, Hartland, New Brunswick (4,186 units); Robert Transport/Groupe Robert, Boucherville, Quebec (3,810 units); Paul's Hauling Group, Winnipeg, Manitoba (3,700 units); Trimac Transportation Services, Calgary, Alberta (3,600 units); and Canada Cartage Diversified Income Fund, Mississauga, Ontario (3,400 units).

The year 2006 saw changes in the industry (acquisitions, strategic alliances and mergers of motor carriers).

Owner-operators own and drive their own trucks and operate as small independent for-hire truckers hauling trailers for other carriers or directly for a shipper. By using owner-operators, trucking companies can expand or contract their capacity in response to changing market conditions. There were an estimated 36,000 owner-operators in Canada in 2005.

Couriers and parcel-delivery firms are considered to be part of trucking activity because they operate trucks and provide some of the same services as for-hire carriers. However, there are relatively few trucks used in the courier industry — approximately 2,200 — as most companies use small cube vans, automobiles and even bicycles for deliveries. In 2005, the courier industry generated an estimated $6.4 billion in total revenues, based on average volumes of 2.4 million packages per day. There are approximately 20,000 small courier companies that generate revenues less than $1 million annually. While accounting for 97 per cent of the total number of courier companies, these companies generate only 18 per cent of total courier revenues.

Private trucking is that part of the industry not covered by the for-hire segment (practically OAT – comment by the author). At $30.2 billion, the estimate for private trucking is better viewed as the operating costs of trucks for these companies. Caution should be exercised in using this estimated value.

In terms of revenues, general freight carriers continue to dominate the for-hire sector, accounting for almost 60 per cent of for-hire revenues in 2005. Specialized freight accounted for 17 per cent of total revenues.

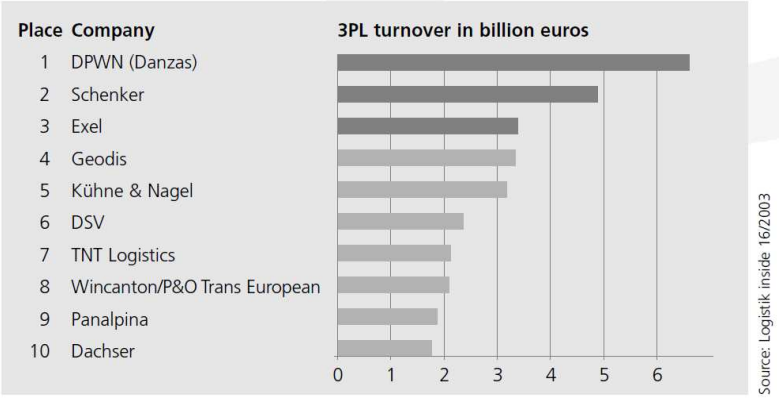
Since 1991, total revenues have tripled. Large carriers (earning between $12 million and $25 million), however, have seen the proportion of their revenues increase from 11 per cent in 1991 to 21 per cent in 2000 to almost 28 per cent in 2005.

Source: http://www.tc.gc.ca/eng/policy/report-aca-anre2006-7d_road-industry-eng-294.htm Date Modified: 2010-03-15

Box 2: State and partly state-owned companies distort competition in the European freight forwarding and logistics market – The consequences which threaten the existence of privately financed companies

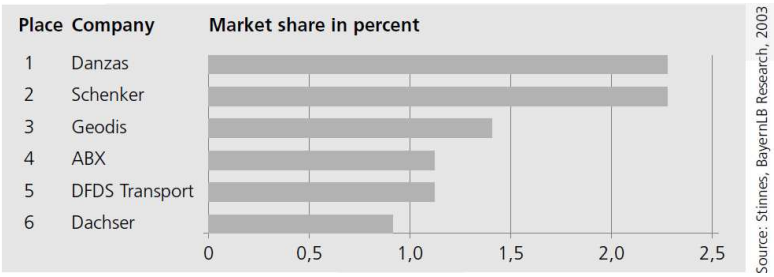
In the business sector third party logistics companies provide logistics services for their customers using their own capacity and resources. Among the top 10 of this important sector (which comprises about 80 per cent of the turnover of logistics providers) there are four partly state-owned or entirely state-owned companies: Deutsche Post World Net (DPWN), Schenker, Geodis and TNT Logistics. (Graph 1 in Box 2)

Graph 1: The largest third party logistics providers (3PL) in Europe in 2002



Even more serious is the market power clearly held by partly state-owned or entirely state-owned companies in European land transport even though this market appears different: Danzas belongs to Deutsche Post World Net, Schenker to Deutsche Bahn AG, Geodis to the French state railways and ABX to the Belgian state railways. (Graph 2 in Box 2)

Graph 2: The largest land transport companies in Europe in 2002



The partly state-owned and state-owned companies in the forwarding and logistics sectors have for many years used their financial and political advantages, not available in any way to private sector companies to aggressively

- Take over private sector competitors or logistics service providers … with the goal of creating complete market cover at almost any price (predatory competition) and

- Gain market share so that existing or newly-acquired capacity is fully used even at the lowest prices (price dumping)

The partly state-owned and state-owned companies, mainly railway and postal service operators, have caused serious distortion to competition by using state finance or revenues from state-protected monopolies such as letter deliveries.

The use of earnings from monopolies for cross-subsidisation as well as the use of state subsidies such as described in the examples of Deutsche Post World Net or ABX Logistics have led to massive distortions of competition to the disadvantage of privately-owned forwarding and logistics companies.

The EU Commission has only made a tentative reaction to non-permitted cross-subsidies and illegal subsidies such as in the cases of ABX and Deutsche Post World Net.

In late July 2003 the EU Commission decided to investigate state subsidies of 252 million euros given by the state-owned SNCB for the restructuring of ABX. This sum comprised a bridge loan of 140 million euros and the switching of 112 million euros of debt into equity.

As soon as late August 2003 the EU concluded that this involved non-permitted state subsidies … would distort competition and give an unfair competitive advantage to ABX companies in Germany, France and the Netherlands. As a first step, the EU stopped further financial support from the parent company SNCB.

The monopolistic and concentration trends described mean that equal business opportunities and freedom of choice have been partially lost. … many successful private companies have been taken over, while other private companies have

been forced out of business by the pricing policies and aggressive market pressure from partly state-owned and state-owned companies.

…

The attempts by partly state-owned and state-owned companies to cement their monopolies have left clear tracks with the following consequences:

- Reduction of logistics services offering complete coverage of all areas, which could for example lead to an inferior service level for rural companies and populations.
- Loss of diversified services as private sector niche operators are pushed out of the market as part of the concentration process.
- Destruction of transport networks built up by private companies (for example the Swedish forwarding company ASG, whose European network of partners was destroyed and operations were taken over by Danzas, a subsidiary of Deutsche Post World Net.)
- Increasing transfer of privately-financed transport and logistics companies into sub-contractor status of large partly state-owned and state-owned companies.
- High price and cost pressure creates a danger to the safety and quality of transport and logistics services.

Measures required re-establishing … fair competition:

1. State support paid to state or semi-state companies in the rail and postal industries, which are seeking to establish themselves in the transport and logistics sectors, must remain an exception. …
2. If state support or other assistance is paid to help … such organisations, this may not be misused for other purposes, such as being directed towards the expansion into transport and logistics or building up such existing activities of semi-state-owned and state-owned companies. Such misuse should be forbidden and closely monitored.
3. Use of revenues/profits from monopolies, state finance or state support for company take-overs or shareholding purchases in the transport or logistics sectors must be closely controlled at national and European levels. Conditions for takeovers of or shareholding purchases in private companies by state-owned organisations must be precisely laid down. Take-overs or shareholding purchases by semi-state-owned and state-owned companies should only be possible when they take place under the same conditions under which privately-financed transport and logistics companies would make such take-overs or shareholding purchases.
4. Equal opportunities between privately-financed transport and logistics companies and semi-state-owned and state-owned companies must be restored. The previous practice by semi-state-owned and state-owned companies of purchasing freight forwarding and logistics companies at excessively high prices or buying shareholdings at excessively high prices must be stopped if the finance comes from other sectors, such as from monopoly earnings. If necessary new legislative rules must be created to ensure fair competition in this respect.
5. Take-overs of or shareholding purchases in freight forwarding and logistics companies by semi-state-owned and state-owned companies should fundamentally not be permitted if the semi-state-owned and state-owned companies are making losses and can only rise the purchase price by using state loans, guarantees or using other state support.
6. Necessary sanctions must be taken against the non-permitted use of state support which has taken place against current EU law. The EU Commission should seek a rapid repayment of non-permitted state support already paid out and ban further non-permitted support. Sanctions should be used when non-permitted state support is not repaid on time and when EU Commission guidelines on provision of state support are not obeyed.

Source: Verein zur Förderung des Wettbewerbs und lauteren Verhaltens im Speditions-, Logistik- und Transportgewerbe e.V., Köln, and H.A.L.T.E., Honorable association de transporteurs et logisticiens européens, Paris, 2004
http://www.wettbewerbsverein-koeln.de/fileadmin/user_upload/Schlussfassung_Weibuch_GBR.pdf

6.2 Market situation in partner sectors

The haulage and logistics sector does not exist in isolation and it is continuously exposed to the external world. Its partner industries have an enormous influence on the level of openness and structural changes in this sector.

On the haulage and logistics sector's demand side we see shippers operating as trading and / or industrial companies or agricultural farms, etc., with or without own-account transport activities. On the supply side we find vehicle manufacturers and related trading companies, tyre manufacturers, spare-parts supply networks, vehicle technical support and various roadside services (first and foremost fuel station networks), road construction and maintenance companies,

insurance companies and even state institutions "supplying" this sector's regulatory legislation as well as implementing and enforcing laws such as determining and distributing international transport permit quotas, etc.

Any restrictions imposed on or driven by any of these partner sectors have a direct impact on the level of openness of the haulage business. If for example there are import restrictions on modern heavy goods vehicles in a country, this has a negative impact on the haulage industry. If axle-weight limitations on the roads, "supplied" by road construction and maintenance companies and last but not least state administration, are too excessive, this happens to be a limitation on haulage activities.

We may quote again the restrictions of bilateral permit systems already discussed in Chapter 5.2.1 and point once more to its rigidity as "supplied" by state administration to the haulage sector which in principle should meet the arduous requirements of rapidly growing international manufacturing and trading corporations on the demand side. The latter often want cargo to be carried first between their production sites and sales subsidiaries that under today's circumstances can very easily be located in different countries then to the consignor's premises in a further country. Within the highly restrictive bilateral permit systems national authorities can however easily find a pretext from a transport bureaucratic point of view to make such complex logistics operations very difficult if not impossible.

Permit bureaucracy should be done away with due attention to changing structures of global production, trade and finance (e.g. invoicing) operations, value-added logistics services; haulage should follow these changing patterns and should not be inhibited in doing so by administrative restrictions, such as the prohibition of use of bilateral transport permits if for due logistical or business reasons the origin of the cargo and/or the transport and/or the commercial documents does not correspond to formal requirements of narrow-minded international freight transport administration/authorisation models.

Beside straight restrictions, even the concentration level in partner sectors should seriously be taken into consideration. If market power is highly concentrated in an important partner sector, e.g. vehicle manufacturing (supply side) or garment manufacturing or perishable foodstuff trading (demand side) in a country or a group of countries, the haulage and logistics sector tries to adapt its own structure to that of the partner industries in order to be in an efficient negotiating position when it comes to its purchases or sales. In such cases a parallel concentration in haulage and logistics seems to be predictable (cf. Chapter 4.3) even if a too high level of concentration risks running against the desirable openness in road transport, i.e. this process may lead to the development of unwelcome cartels, monopolies or oligopolies in the haulage and logistics sector itself.

A special category of partner industries should also be mentioned here, namely the intermodal partner transport modes: the railway, inland waterway and sea transport operators. These transport modes are much more concentrated than haulage as said in Chapter 4. Therefore, if a haulier wants to become a business partner to much bigger operators in other modes in the framework of intermodal operations, it should also become big enough not to be treated an inferior player in such operations. Another external instigation to grow big in the haulage and logistics sector.

Concentration of various industries has long been subject to various investigations and efforts of measurement. According to Wikipedia[27] the definition of the so called concentration ratio can be drafted as follows:

"In economics, a concentration ratio is a measure of the total output produced in an industry by a given number of firms in the industry. The most common concentration ratios are the CR4 and the CR8, which means the four and the eight largest firms. Concentration ratios (often used in combination with the so called Herfindahl–Hirschman Index (HHI)[28],

[27] Concentration of industries
http://en.wikipedia.org/wiki/Concentration_ratio ; http://en.wikipedia.org/wiki/Concentration_ratio#cite_note-statistics.gov.uk-4

28 The Herfindahl index (also known as Herfindahl–Hirschman Index, or HHI) is a measure of the size of firms in relation to the industry and an indicator of the amount of competition among them. Named after economists Orris C. Herfindahl and Albert O. Hirschman, it is an economic concept widely applied in competition law, antitrust and also technology management.[It is defined as the sum of the squares of the market shares of the 50 largest firms (or summed over all the firms if there are fewer than 50) within the industry, where the market shares are expressed as fractions. The result is proportional to the average market share, weighted by market share. As such, it can range from 0 to 1.0, moving from a huge number of very small firms to a single monopolistic producer. Increases in the Herfindahl index generally indicate a decrease in competition and an increase of market power, whereas decreases indicate the opposite. http://en.wikipedia.org/wiki/Herfindahl_index

are usually used to show the extent of market control of the largest firms in the industry and to illustrate the degree to which an industry is oligopolistic."

CR 0% means perfect competition, while CR100% total monopoly situation.

The quoted source presents a few CR5s (the share of the 5 largest firms in the sector) for UK industries of which here-below are presented a few that appear to be important clients of the haulage and logistics sector. (Table 4)

Table 4: Concentration rate in UK industries (CR5), 2004, %

Sector	High CR5, %	Low CR5, %
Sugar	99	
Tobacco products	99	
Gas distribution	82	
Oils and fats	88	
Confectionery	81	
Man-made fibres	79	
Soft drinks and mineral waters	75	
Pesticides	75	
Weapons and ammunition	77	
Metal forging, pressing		4
Plastic products		4
Furniture		5
Construction		5
Structural metal products		6
Wholesale distribution		6
General purpose machinery		8
Wood and wood products		9

Source: info@ons.gsi.gov.uk referenced by http://en.wikipedia.org/wiki/Concentration_ratio#cite_note-statistics.gov.uk-4

It is extremely interesting to see various CR levels for *the* transportation and warehousing sector as well as scheduled air freight transportation in the US[29] which indeed confirm the high concentration levels in road freight transport's sister modes.

[29] http://www.census.gov/econ/concentration.html

In this country, there is a striking difference between the CR levels of the various transport modes: concentration in the transportation and warehousing mode seems to be low-medium while those of scheduled freight air transportation, deep sea freight transportation as well as coastal and Great Lakes boat transportation are all much higher though at various degrees in 2007. (Table 5)

Similar data for Europe are presented in the next table. (Table 6) Further investigations in other sectors and countries as well as that of the inter-relationships between individual industry CRs would be desirable.

Table 5: Transportation and Warehousing / Scheduled freight air transportation / Deep sea freight transportation / Coastal and great lakes freight transportation: Summary Statistics by Concentration of Largest Firms for the United States: 2007

Sls/rcpts/rev of largest firms as % of tot sls/rcpts/rev (%)				
Firms	Transportation and Warehousing	Scheduled freight air transportation	Deep sea freight transportation	Coastal and great lakes freight transportation
All	100.0	100	100	100
4 largest	17.2	53.2	40.0	28.3
8 largest	25.2	66.5	55.9	40.0
20 largest	34.9	82.6	76.4	62.5
50 largest	42.7	93.9	94.0	85.2

Source: http://factfinder.census.gov/servlet/IBQTable?_bm=y&-ds_name=EC0748SSSZ6

Table 6: Key figures on the European logistics market by segment, 2006

	Market Size (in bn. €)	Outsourced Size (in bn. €)	Sum of Top 10 (in bn. €)	Concentration degree (regarding outsourced market, in %)
Bulk Logistics	80,3	44,2	8,8	20%
General Cargo	72,3	39,8	13,0	33%
LTL	32,1	28,9	11,3	39%
Special Transportation	72,3	32,5	9,8	30%
CEP	48,2	45,8	35,6	78%
Contract Logistics	313,3	78,3	31,1	40%
Warehousing and terminal activities	88,4	22,1	8,4	38%
Ocean Freight	64,3	57,8	56,8	98%
Air Freight	32,1	30,5	22,0	72%
Mail	59,0	59,0	51,2	87%

Source: Klaus/Kille 2007

Source: Final Report Statistical coverage and economic analysis of the logistics sector in the EU (SEALS) Prepared for the European Commission, DG Energy and Transport by ProgTrans AG; ECORYS; Fraunhofer ATL; TCI Röhling – December 2008 quoting Klaus, P. & C. Kille (2007), Top 100 in European transport and Logistics Services
http://ec.europa.eu/transport/strategies/studies/doc/2008_12_logistics.pdf

7. Level of implementation of legal instruments on international road transport facilitation, problems related to non-harmonised rules and their uncoordinated application

http://factfinder.census.gov/servlet/IBQTable?_bm=y&-ds_name=EC0748SSSZ6

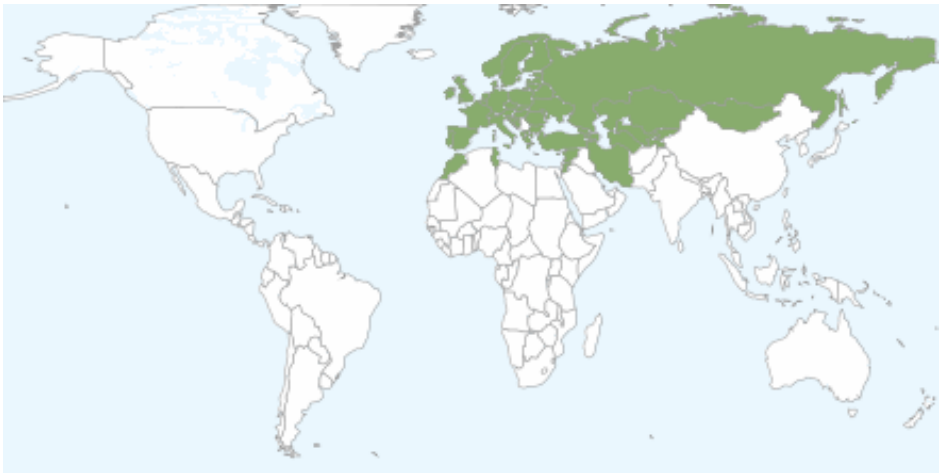
The degree of openness of a country's haulage sector depends very much on the implementation of multilateral transport and related conventions. A basic indicator of the level of implementation of road transport facilitation instruments is for example whether or not the country concerned has acceded to important international conventions. Even in case of accession or adoption a further question is whether this country has entered reservations of application if such is legally possible regarding the instrument concerned. Finally, the real question is the level of daily implementation of international legislation by Contracting Parties.

Here-below, we present the state of accession by UNECE member countries to a few important transport conventions like, CMR, harmonisation of frontier controls of goods, TIR, AETR, ADR and ATP as well as the UNECE Inland Transport Committee's Consolidated Resolution on the Facilitation of Road Transport [R.E.4]. We shall add information on the state of accession to the World Trade organisation's GATT and GATS agreements. (Chart 20)

Chart 20: Contracting Parties to selected UNECE and WTO Legal Instruments

CMR

Albania, Armenia, Austria, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Iran (Islamic Republic of), Ireland, Italy, Jordan, Kazakhstan, Kyrgyzstan, Latvia, Lebanon, Lithuania, Luxembourg, Malta, Mongolia, Montenegro, Morocco, Netherlands, Norway, Poland, Portugal, Moldova, Romania, Russian Federation, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Syrian Arab Republic, Tajikistan, The former Yugoslav Republic of Macedonia, Tunisia, Turkey, Turkmenistan, Ukraine, United Kingdom, Uzbekistan

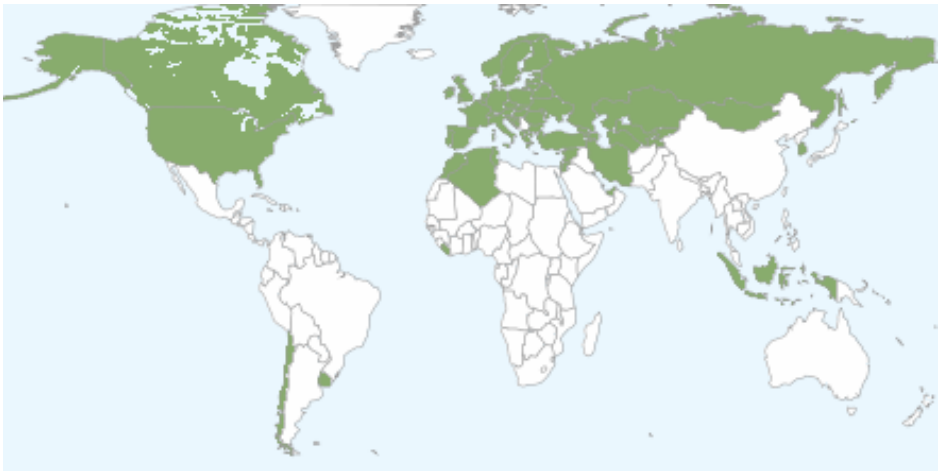


Harmonisation of frontier controls of goods

Albania, Armenia, Austria, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cuba, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Iran (Islamic Republic of), Ireland, Italy, Jordan, Kazakhstan, Kyrgyzstan, Lao People's Democratic Republic, Latvia, Lesotho, Liberia, Lithuania, Luxembourg, Mongolia, Montenegro, Netherlands, Norway, Poland, Portugal, Republic of Moldova, Romania, Russian Federation, Serbia, Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland, The former Yugoslav Republic of Macedonia, Tunisia, Turkey, Ukraine, United Kingdom, Uzbekistan, European Community

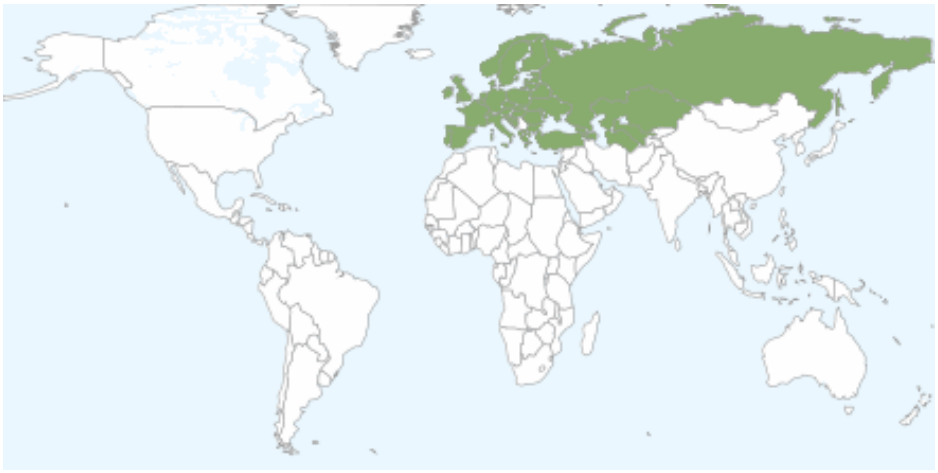
TIR

Afghanistan, Albania, Algeria, Armenia, Austria, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Canada, Chile, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Indonesia, Iran (Islamic Republic of), Ireland, Israel, Italy, Jordan, Kazakhstan, Kuwait, Kyrgyzstan, Latvia, Lebanon, Liberia, Lithuania, Luxembourg, Malta, Mongolia, Montenegro, Morocco, Netherlands, Norway, Poland, Portugal, Republic of Korea, Moldova, Romania, Russian Federation, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Syrian Arab Republic,Tajikistan, The former Yugoslav Republic of Macedonia, Tunisia, Turkey, Turkmenistan, Ukraine, United Arab Emirates, United Kingdom, United States, Uruguay, Uzbekistan, European Community



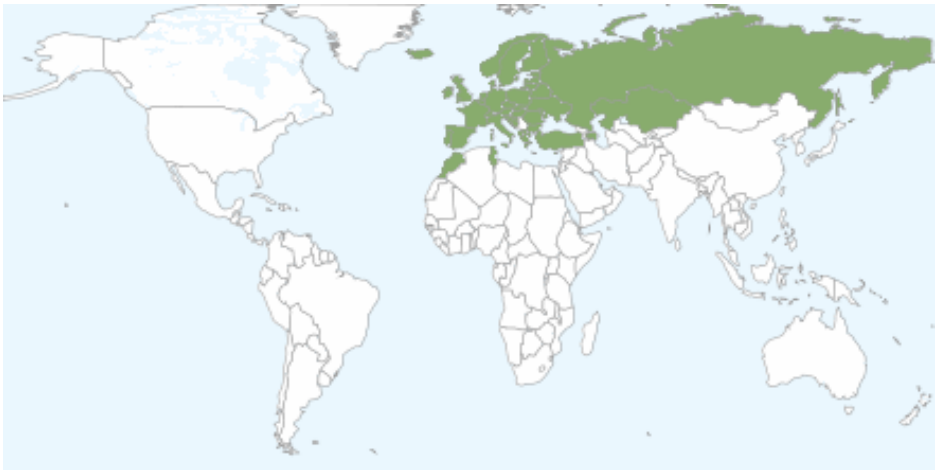
AETR

Albania, Armenia, Andorra, Austria, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Kazakhstan, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Monaco, Montenegro, Netherlands, Norway, Poland, Portugal, Moldova, Romania, Russian Federation, San Marino, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, The former Yugoslav Republic of Macedonia, Turkey, Turkmenistan, Ukraine, United Kingdom, Uzbekistan



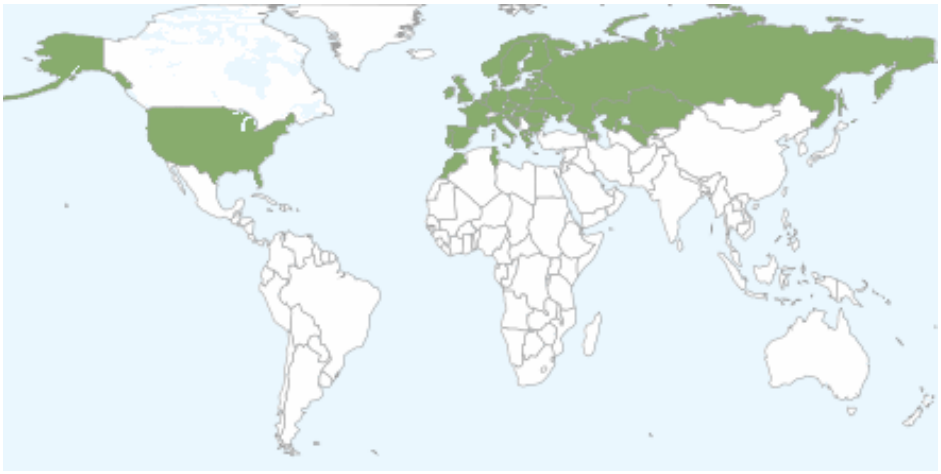
ADR

Albania, Andorra, Austria, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Kazakhstan, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Moldova, Montenegro, Morocco, Netherlands, Norway, Poland, Portugal, Romania, Russian Federation, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, The former Yugoslav Republic of Macedonia, Tunisia, Turkey, Ukraine, United Kingdom



ATP

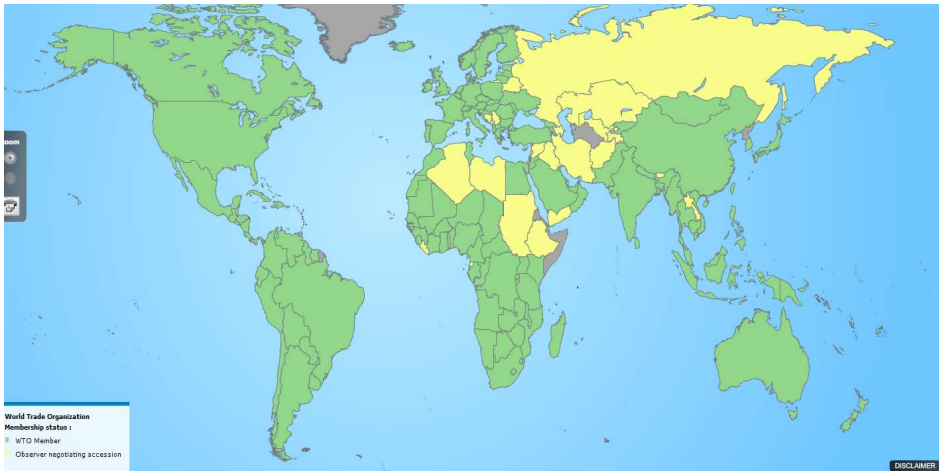
Albania, Andorra, Austria, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Ireland, Italy, Kazakhstan, Latvia, Lithuania, Luxembourg, Moldova, Monaco, Montenegro, Morocco, Netherlands, Norway, Poland, Portugal, Romania, Russian Federation, Serbia, Slovakia, Slovenia, Spain, Sweden, The former Yugoslav Republic of Macedonia, Tunisia, Ukraine, United Kingdom, United States, Uzbekistan



Source: for all above charts http://live.unece.org/trans/conventn/agreem_cp.html#21

WTO GATT and GATS

Albania Angola Antigua and Barbuda Argentina Armenia Australia Austria Bahrain, Kingdom of Bangladesh Barbados Belgium Belize Benin Bolivia, Plurinational State of Botswana Brazil Brunei Darussalam Bulgaria Burkina Faso Burundi Cambodia Cameroon Canada Cape Verde Central African Republic Chad Chile Democratic Republic of the Congo Denmark Djibouti Dominica Dominican Republic Ecuador Egypt El Salvador Estonia European Union (formerly European Communities) Fiji Finland France Gabon The Gambia Georgia Germany Ghana Greece Grenada Guatemala Guinea Guinea Bissau Guyana Haiti Honduras Hong Kong, China Hungary Iceland India Indonesia Ireland Israel Italy Jamaica Japan Jordan Kenya Korea, Republic of Kuwait Kyrgyz Republic Latvia Lesotho Liechtenstein Lithuania Luxembourg Macao, China Madagascar Malawi Malaysia Maldives Mali Malta Mauritania Mauritius Mexico Moldova Mongolia Morocco Mozambique Myanmar Namibia Nepal Netherlands New Zealand Nicaragua Niger Nigeria Norway Oman Pakistan Panama Papua New Guinea Paraguay Peru Philippines Poland Portugal Qatar Romania Rwanda Saint Kitts and Nevis Saint Lucia Saint Vincent & the Grenadines Saudi Arabia, Kingdom of Senegal Sierra Leone Singapore Slovak Republic Slovenia Solomon Islands South Africa Spain Sri Lanka Suriname Swaziland Sweden Switzerland Chinese Taipei Tanzania Thailand Togo Tonga Trinidad and Tobago Tunisia Turkey Uganda Ukraine United Arab Emirates United Kingdom United States of America Uruguay Venezuela, Bolivarian Republic of, Viet Nam Zambia Zimbabwe



Source: for this chart http://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm

As might be seen most of the European countries have acceded to basic UNECE facilitation instruments and this is certainly a positive phenomenon. It is the Central Asian region within the geographic scope of the UNECE and its direct neighbourhood where further efforts are still necessary. Countries absent as Contracting Parties to one or more of the basic legal instruments are Armenia, China, Georgia, Mongolia and Turkmenistan. Many outstanding accessions concern WTO agreements, GATT and GATS.

The Consolidated Resolution on the Facilitation of Road Transport [R.E.4 of the UNECE] is just a recommendation even for governments that have fully adopted its text in 2004. If this type of a facilitation instrument were drafted and adopted as a legally binding legal instrument it would certainly prove to be a powerful instrument assuring a more open system of access to various segments of the international road transport market for UNECE member countries' hauliers. However even in the present state of a recommendation there are a number of reservations to a number of its provisions. (Annex 2) The ten countries having entered numerous reservations, some of them in key transit position, are: Austria, Finland, Germany, Hungary, Netherlands, Poland, Portugal, Russian Federation, Switzerland and Turkey[30].

It may be of some interest to mention a not very well known UNECE convention on similar issues, namely on Economic Regulations of Road Transport of 1954, with only four Contracting Parties: France, Greece, Italy and Norway. This legal instrument is not yet in force and has obviously no chance for future application. It is certainly by far not the best example of a facilitation tool, in addition it has widely been superseded by subsequent conventions like AETR, the Green Card system, ATP, or CMR, but it definitely represents a respectable effort of harmonising and streamlining conditions of international haulage in the early 1950s.

It is of great relevance to monitor the follow-up UNECE member governments intend to give in this respect to the initiative of the Republic of Turkey to *adjust bilateral agreements to binding international conventions* in order to facilitate transit cargo movements in the UNECE region (proposal for a draft convention to align bilateral agreements on international road transport with the mandatory rules of multilateral instruments governing international road transit – *cf. Chapter 5.2.1*)

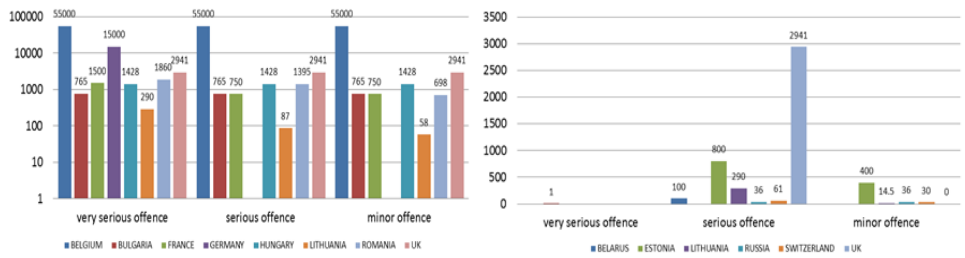
It is a highly complex matter to review the *effective implementation and the level of international harmonisation of such implementation* in the countries concerned like e.g. the methods of road-side traffic checks and the ways of enforcement, including possible sanctions as well as the right to and conditions of appeal against decisions of the authorities, as assured and performed by competent national authorities. In this context it is remarkable that most *UNECE conventions do not dispose of application clauses* and this makes the introduction of international harmonisation measures extremely difficult. The *TIR Convention* is to the contrary very much alive and the manifold

[30] http://live.unece.org/trans/conventn/agreem_cp.html#30 http://live.unece.org/trans/conventn/legalinst_30_OLIRT_ER.html

implementation problems over the last few decades disclose among other things a low degree of coordination of implementation among Contracting Parties to the convention. Uncoordinated national practices of convoying under the TIR system, or past demands of certain countries for several TIR Carnets to be used in case the cargo's customs value supersedes the TIR guarantee limit, or the lack of universal provisions on the national application of the TIR convention (partially compensated by the harmonisation convention on frontier controls of goods or the WCO's Kyoto convention), or the lack of general agreement in relation to the TIR system's computerisation, etc., are just a few examples of application and coordination problems.

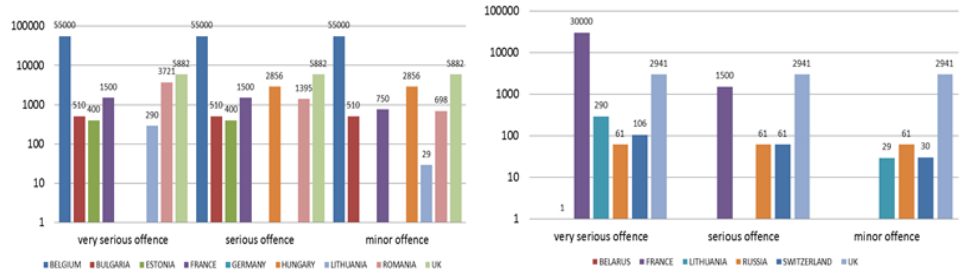
Thanks to the different nature of the *EU as a supra-national integration group*, practically all pieces of legislation involve the right of the European Commission (EU) to exercise some sort of a check on the implementation and related harmonisation level of the piece of law in question in the 27 Member States. The question may however become extremely complicated through the application in the EU of the *subsidiary principle* which allows a certain degree of freedom to Member States in a number of regulatory issues. This may lead even in the EU, not to speak about non-EU UNECE regions, to a low level of harmonisation of rule-implementation and enforcement like for example when determining the typology of infractions against international law and fixing related sanction levels. As an example the issue at stake is presented here by the widely diverging national practices of sanctioning for infringements against driving and rest time rules in a few EU member states and even certain non-EU countries[31] (the latter applying the UNECE's AETR agreement) (*Charts 21 and 22*)

Chart 21: Infringement of EU and national/AETR rules regarding driving and rest periods, sanctions against drivers, Euros (logarithmic vertical axle)



Source: Sanctions for Infractions against Rules governing Driving and Rest Times and the Use of the Tachograph, Report by Dr Judit Somló, lawyer, MKFE (H), for the IRU Commission on Legal Affairs, Geneva, 24 February 2011

Chart 22: Failures to use the required recording equipment, sanctions against drivers, Euros (logarithmic vertical axle)



Source: Sanctions for Infractions against Rules governing Driving and Rest Times and the Use of the Tachograph, Report by Dr Judit Somló, lawyer, MKFE (H), for the IRU Commission on Legal Affairs, Geneva, 24 February 2011

In today's insecure world *transport security* is on the top of the transport policy agenda. A great number of special legal instruments have been adopted and implemented to enhance the security of the logistic chain at national and

[31] Sanctions for Infractions against Rules governing Driving and Rest Times and the Use of the Tachograph, Report on results of an IRU survey by Dr Judit Somló, lawyer, MKFE (H), for the IRU Commission on Legal Affairs, Geneva, 24 February 2011

international levels. New legal tools have been put to use in particular for aviation and sea transport while in land transport, apart from novel customs related measures (e.g. the introduction of the status of the approved economic operator) and the application of new security standards (e.g. ISO 28000), it has been discovered that the proper implementation of existing facilitation instruments, like those of the UNECE, automatically contributes to increasing security in transport and logistics operations. Thus facilitation and security have become two sides of the same coin whereby striking the right balance between one and the other becomes the crux of the matter. Openness in the industry remains highly dependent on whether or not such a balance is found in the countries concerned.

8. Economic costs of bureaucratic inefficiencies and unreasonable regulatory restrictions

8.1 Example of border delays

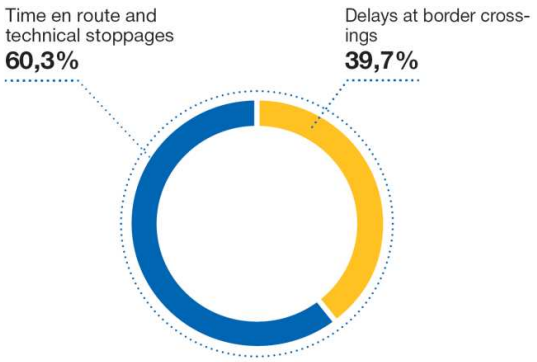
Waiting times at borders being measurable with certain ease (e.g. via time measurement) are often considered to be a *litmus paper* expressing economic costs of bureaucratic inefficiencies and unreasonable regulatory restrictions, i.e. the closed conditions of market access. According to *Raballand, Kunaka and Giersing*[32]:

"Delays at border-crossings such as Beit Bridge (border crossing point between Zimbabwe and South-Africa – *comment by the author*) and Chirundu (border crossing point between Zambia and Zimbabwe – *comment by the author*) have also a great impact on road transport sector profitability. Indeed, they drastically increase the number of days trucks stay idle, therefore increasing fixed costs per day for the trucking company. However, delays at border-crossings vary considerably.

They may range from few hours to 4-5 days. Measures to improve border-posts operations are therefore likely to have a significant effect on transport costs, through a significant increase in the yearly mileage."

The experience of *IRU's NELTI* Project (Phase 1) was similar on routes between Asia and Europe[33]. In NELTI 1 it was found that almost 40% of the total transport time had been spent by the pilot transport vehicles with idling at borders (*Chart 23*)

Chart 23: Time management of pilot transport operations in the IRU NELTI Project 1, 2008-2009



Source: http://www.iru.org/cms-filesystem-action?file=mix-publications/Nelti-Report2010.E.pdf

There have been a number of efforts to express the time lost at borders in *monetary terms* if for nothing else but to prove the high rate of return of improvements in border crossing procedures and physical facilities. Calculations for the

[32] The Impact of Regional Liberalization and Harmonization in Road Transport Services: A Focus on Zambia and Lessons for Landlocked Countries, Gaël Raballand, Charles Kunaka, Bo Giersing, Policy Research Working Paper 4482
The World Bank, Africa Transport Department, Africa Sustainable Development Division, January 2008
http://wwwwds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2008/01/22/000158349_20080122152417/Rendered/PDF/wps4482.pdf

[33] Final Report, Analysis of monitoring data collected on NELTI Project Routes in 2008 – 2009, Undertaken by NEA Transport Research Institute (Netherlands) in cooperation with the International Road Transport Union (IRU), 2009 http://www.iru.org/cms-filesystem-action?file=mix-publications/Nelti-Report2010.E.pdf

TIR traffic which in principle should enjoy preferential treatment and facilitated border crossing shows that calculating with the rough average of one hour of waiting only (a modest assumption) for customs and other checks for the number of used TIR carnets in the Central-European region in the period of 1998-2005 resulted in a direct financial loss to transport operators of USD 3.5 billion, i.e. more than USD 0.4 billion a year. An appropriate multiplication factor should be used to calculate total direct and indirect losses to the whole economy[34]. (*Table 6*)

Table 7: Lost Value of Border Waiting Times, TIR Traffic, 1998-2005

Indicator	***Value****
Average number of TIR carnets issued per year	2'923'481
Minimum number of border crossings in the TIR system per year	8'770'443
Total waiting time, hour per year, for TIR traffic	8'770'443
Value of an hour lost per truck, USD per hour	50
Total lost value per *year*, TIR traffic, USD	438'522'188
Total lost value** 1998-2005, total TIR traffic, USD	***3'508'177'500***

* EU25 External, EU4, CIS & Balkan Borders, *1998-2005*

**Direct costs *can double* (or more) through losses to producers and traders, including lost opportunities due to longer and unreliable transport time, thus: total USD 7.0 billion.

In history there have been a few examples of *borders physically disappearing* with an extremely beneficial impact on cross border trade. *Price Waterhouse* reported on the earnings gained from dismantling internal EU borders in 1992. According to its findings[35] lifting borders saved traders ECU 5 billion a year. "The cost to road hauliers of waiting time at frontiers in 1992 may have been in the region of ECU 900 million. Residual waiting times today may still cost around ECU 50 million", i.e. the direct saving for hauliers was ECU 850 million. Greatest savings were achieved in the Mediterranean region (previously with the longest delay times) and between Germany, France and Benelux (highest traffic volumes). In addition, there were direct efficiency gains to hauliers in the order of ECU 370 million a year; further benefits were accounted for as a result of more efficient use of distribution centres and just-in-time technologies as part of the rapidly developing logistics industry at the time.

Finally, it is worth to see a few data from the quasi real time *IRU Border Waiting Times Observatory*[36] in respect of certain borders in Central-Eastern Europe. (*Chart 24)* One of the most problematic border crossing points in Europe has been over the last 5-6 years Narva (EE) – Ivangorod (RU) on the Russian-Estonian border for trucks entering the territory of the Russian Federation. From 1 August 2011, however, the procedure at this border post has changed. All motor vehicles are obliged to book a place in the electronic border queue in the Russian direction. Operators planning to cross the border at Narva can book their place in advance[37].There has indeed been a significant drop in waiting times at

[34] Calculation by the author, manuscript, 2007

[35] The Single Market Review Series; Subseries III - Dismantling of Barriers, Customs and Fiscal Formalities at Frontiers Price Waterhouse, July 1996, http://ec.europa.eu/internal_market/economic-reports/docs/studies/stud7_en.pdf

[36] IRU Border Waiting Times Observatory, http://www.iru.org/bwt-app

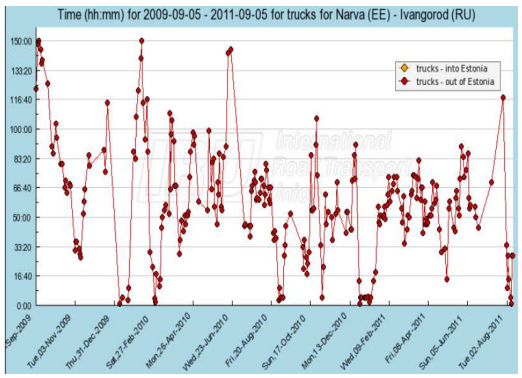
[37] http://www.iru.org/bwt-country-action/c.EE; https://www.eestipiir.ee/yphis/index.action?request_locale=en

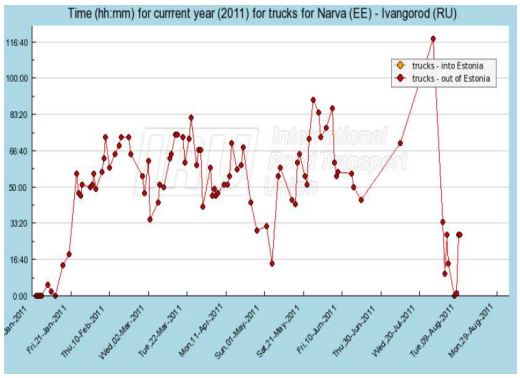
this border post (*Chart 24 - Narva (EE) – Ivangorod (RU)*), however, it is still to be seen whether we witness a real reduction of idling or the pre-booking facility simply hides border waiting times.

The other graphs presented show fluctuating waiting times throughout 2011 (with higher values at the beginning of the year) and they prove that unrealistically long idling can take place at external borders of the EU even today.

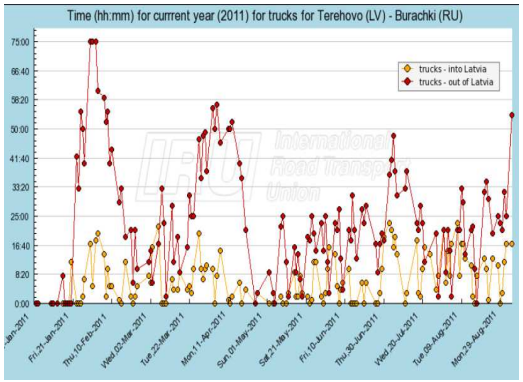
Chart 24: Truck Border Waiting Times, hours per traffic direction from arrival to the end of the queue in country A to departure from the customs area in country B

Narva (EE) – Ivangorod (RU), Graphs 5 September 2009 – 5 September 2011 *and* 1 January – 10 August 2011

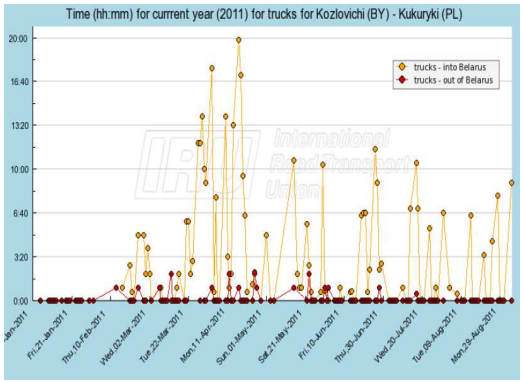




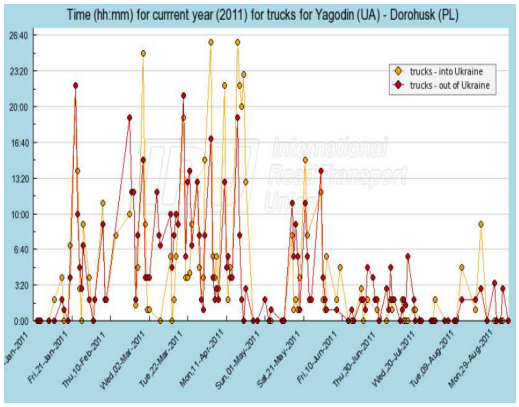
Terehovo (LV) – Burachki (RU), Graph 2011



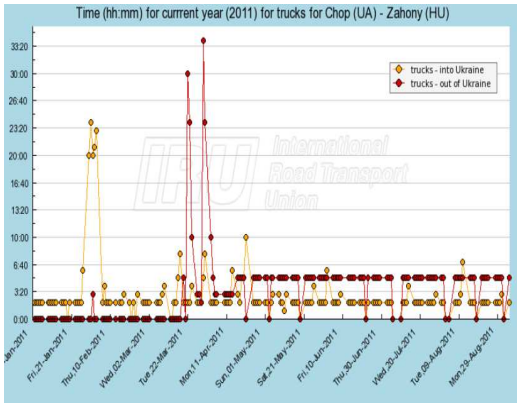
Kozlovichi (BY) – Kukuryki (PL), Graph 2011



Yagodin (UA) – Dorohusk (PL)



Chop (UA) – Zàhony (HU), Graph 2011



Today's IT and computer technology is certainly capable to bring good solutions to diminishing border delays and related losses. A handful of best practices and checking technologies have been introduced for this purpose the

generalised application of which is often rather a question of good political decisions than the implementation of expensive (construction) projects. Just to mention a few advanced practices: one-stop-shop, single window application (all checking functions integrated into a single harmonised scheme), all checks carried out at only one side of the border (common checks), separation of traffic modes based on the types of customs regimes used (e.g. separate TIR traffic lane), 24-hour border service on both sides of the border or at least harmonised opening hours, computerisation of all checking functions, permanent information exchange between authorities of neighbouring countries, etc.

8.2 Spontaneous reaction of private industry to minimise losses - out-flagging

As soon as the legal framework and stable conditions for capital movement (foreign direct investment – FDI) are established in a country or region concerned, the chances there for FDI increase if efficiency and consequently profit gains are attainable. Main reasons for out-flagging from a country and in-flagging into another one can be diverse, such as favourable operational costs in general (driver and other wages in particular), more preferential fiscal treatment, or the need to adapt to market diversification in the form of following the expansion or relocation of production and commercial capacities of "old customers" from one country to another, etc.

These are reasons not directly related to the openness of the transport sector in any country, however the scarce availability of and poor accessibility to international road freight transport permits in difficult bilateral relations can be an important motivation behind decisions about out- and in-flagging.

Capital movement across frontiers is a very complex phenomenon as confirmed by the German Freight Transport Authority (BAG) stating in 2006[38]:

"In order to remain in competition with Eastern European suppliers, medium-size transport and forwarding companies (in Germany – comment by the author), since last year, have reinforced their engagement on Central and East European transport markets, where they create subsidiaries or enter co-operation. In this framework, parts of the vehicle fleet are dislocated (out-flagged – comment by the author). … West European transport companies take part in the internal transport activities in new EU MS in case their customers first establish there their presence and production site and thus they can see a certain demand for their subsidiary guaranteed on spot. … Already back in the 90s, strong operators set up subsidiaries in Central and East European states. Today, they benefit from their market presence and knowledge to buy in cheap transport capacities… often to the disadvantage of German transport companies. … These companies (the ones with foreign subsidiaries – comment by the author) put an important pressure on freight rates in international transport. Right after EU enlargement, a number of German transport companies rushed to Central and East European transport markets either to serve their customers there … or to make use of local favourable conditions. … It is expected that following the liberalization of cabotage, these companies will increase their competitive pressure on the German internal markets. … Fears of cabotage liberalization increase not only against companies from new EU MS, but also German transport companies with subsidiary in the new MS as well as other European actors, which, using optimally their network will benefit from liberalization …"

9. Proposal for a set of generic indicators of openness in the international road freight transport sector (International Road Haulage Openness Measurement Toolbox – IRH OMT) and draft Questionnaire for future benchmarking

In the present Chapter an *effort will be made to identify a set of generic indicators of openness* in the international road freight transport sector. We shall call this set of indicators *"International Road Haulage Openness Measurement Toolbox" (IRH OMT)*. A *draft Questionnaire* for future benchmarking will also be proposed.

The goal is to define such a measurement tool that can be used for surveying a number of countries thus providing sufficient information for an international *benchmarking* exercise based on best national practices as benchmarks for the countries concerned.

Surveying the conditions of international haulage is quite a usual practice of international analysis in respect of general or specific aspects of the industry.

[38] Bundesamt für Güterverkehr (BAG), Marktbeobachtung Güterverkehr, Deutschland, April 2006

Just as examples, reference is made here to a few such recent surveys:

- Survey on Free and Fair Competition in the BSEC Road Transport Market[39]. This survey was conducted early 2011 in the BSEC region to gain insight into conditions of international haulage in BSEC member countries. Survey results are enclosed. (Annex 3)
- A similar survey has been conducted as part of the IRU NELTI Project 2 in 2010 defining a road map of action for each individual country along the three transport corridors of the project[40]
- The IRU as requested by the UNECE Working Party on Road Transport (SC.1) conducted an analysis of bilateral road transport agreements on conditions of transit operations through the territories of the contracting parties in 2010[41]
- As a result of thorough investigations of conditions of international haulage, in particular those of bilateral road transport agreements, Latrille and Carzaniga developed "A Possible Typology for Bilateral Road Freight Transport Agreements" in 2010[42]. A very detailed questionnaire was actually drafted on existing bilateral agreements' provisions of relevance from the point of view of their openness towards easy access to international road freight transport markets. The purpose is to investigate several hundreds of bilateral agreements by means of this typology and set up an appropriate evaluation scheme for these agreements.

Taking into account past and on-going investigations mentioned above and in addition methodological aspects of criteria of market openness developed by the OECD43 some 10 years ago as well as duly considering various parts of this paper, an International Road Haulage Openness Measurement Toolbox (IRH OMT) is proposed for further reflection.

Indicators of this toolbox should be relatively simple and robust in the hope of receiving an acceptable rate of replies. The toolbox may be applied also for self-surveying in case one would like compare international haulage's conditions in a given country to results of the same survey conducted earlier for the same country, or for another country or to values of an international benchmark yet to be defined.

Keeping in mind that an appropriate weighing and evaluation scheme should still be developed in order to quantitatively summarise information related to each criterion, a scheme of basic indicators is proposed. (Table 7)

Table 8: Scheme of Basic Indicators of the International Road Haulage Openness Measurement Toolbox (IRH OMT)

Scheme of basic indicators of the International Road Haulage Openness Measurement Toolbox (IRH OMT)	
Basic Indicator	**Supposition**
1. Non-market conform state interventions in the transport modal split (= forced modal transfer)	the less such interventions the better

[39] Survey on Free and Fair Competition in the BSEC Road Transport Market
http://www.bsec-urta.org/content/files/19GA%20english/SURVEY%20G2837.pdf

[40] NELTI 2 Final Report, Road Map, Undertaken by NEA Transport Research Institute (Netherlands) in cooperation with the International Road Transport Union (IRU)
http://www.iru-nelti.ru/index/cms-filesystem-action?file=nelti3/Nelti2011.E.pdf

[41] IRU Survey on Authorisations used for Road Transit Transport applied BY UNECE Member Governments in their Bilateral Relations Informal Document No. 1, UNECE Inland Transport Committee, Working Party on Road Transport, One-hundred-and-fifth session, Geneva, 29 September–1 October 2010, Item 7 (b) of the provisional agenda
http://live.unece.org/fileadmin/DAM/trans/doc/2010/sc1/Informal-SC1-2010-e.pdf

[42] A Possible Typology for Bilateral Road Freight Transport Agreements, Pierre Latrille and Antonia Carzaniga, World Trade Organization (WTO), manuscript, 2010

[43] Regulatory Reform in Spain, Enhancing Market Openness through Regulatory reform, OECD, published in French entitled "Améliorer l'ouverture des marchés grace a la réforme de la réglementation", © OECD 2000
http://www.oecd.org/dataoecd/24/1/2508351.pdf

2. Capital concentration levels: size of fleets	the smaller part of the fleet is concentrated in a few big companies the better
3. Ownership structure: size of the state owned sector	the smaller the state owned part of the fleet the better
4. Admission to the profession of international road freight operator: share of quantitative and/or qualitative criteria; rigidities of requirements	the smaller the quantitative part of the criteria and the lesser the built-in rigidities the better
5. Access to the market of international road freight operator in the framework of bilateral and/or multilateral schemes: qualitative and quantitative requirements	the smaller the quantitative part of the criteria and the lesser the built-in rigidities the better
6. Business organisation and structure of the market: contractual interrelationships among logistic corporations, forwarders and international road freight market operators	the flatter the contractual structure or the lower the concentration level the better
7. Informal (voluntary) organisation of the profession: impact of industry associations	the more support services trade associations offer to SMEs the better
8. Level of implementation of international road transport facilitation regulations	the higher the number of signed international agreements by a country the better; special indicator: the shorter the truck waiting times at a country's frontiers the better; special indicator: the less national divergence from international average financial sanction levels for infractions to the rules by drivers/operators the better

For the purpose of an experimental benchmarking on the degree of openness of conditions of international haulage, a *detailed draft Questionnaire* has equally been proposed. (*Table 8*)

The optimal benchmark is yet to be determined. Even without this benchmark, it is obviously necessary to apply a rating (*bonus-malus*) point system to the questions thus making replies to the questionnaire quantitatively comparable between responding countries.

This list of questions has been sent to a number of experts[44] who have made proposals for the *weights of the individual main questions* on a scale from 1-10. In the column "Proposed weight from 1 to 10" an average value of these proposals has been entered. These weights may be considered when finalising the questions and contemplating their proportionate importance in an evaluation scheme.

Table 9: Detailed Questionnaire on a Set of Generic Indicators of Openness of the International Road Freight Transport Sector

Detailed Questionnaire

on a set of generic indicators of openness of the international road freight transport sector

[44] Experts involved: *Ciorzan*, I. – UNTRR, Romania; *Faramarzian*, B. – ICCIMTIR, Iran; *Gregorova*, J. – Cesmad Slovakia; *Ivanova*, A. – AEBTRI, Bulgaria; *Medved*, J. – Cesmad Bohemia, Czech Republic; *Maria Petlyukh* – KAZATO, Kazakhstan *Suer*, S. – TOBB, Turkey;

Indicator	Reply	Proposed weight on a scale from 1 to 10 *
1. Are there any non-market conform modal split interventions by your government in your country (that is forced transfer between transport modes**)**		**7**
1.1 *none*	……	
1.2 *yes*	……	
1.2.1 Road haulage not permitted beyond certain distance, name distance	……	
1.2.2 Cargo must be transferred from trucks to other transport mode(s) at borders. Name transport other mode(s) and borders concerned.	……	
1.2.3 Subsidies from the budget to other transport modes in order to reinforce their competitive position. Name mode(s) concerned and form/size of subsidy. (in local currency per year)	……	
1.2.4 Other non-market conform interventions in favour of other modes like fiscal measures of tax/charge character and their rate: (in local currency)	……	
2. Capital concentration levels: size of fleet		4.8
2.1 Share of national fleet operated by companies		
2.1.1 Running between 1-5 vehicles	… %	
2.1.2 Running between 6-9 vehicles	… %	
2.1.3 Running between 10-19 vehicles	… %	
2.1.4 Running between 20-49 vehicles	… %	
2.1.5 Running more than 50 vehicles	… %	
3. Ownership structure: size of state-		5.2

owned sector		
3.1 *none*	…	
3.2 *yes*	…	
3.2.1 Share of state owned fleet in total fleet	… %	
4. Admission to the profession of international road freight operator		8
4.1 Any quantitative restriction on access to the profession		
4.1.1 none	…	
4.1.1.1 The "triple" criteria are in place (good repute, professional competence, financial standing)	…	
4.1.1.2 Truly available transport manager required	…	
4.1.1.3 Effective and stable establishment in the country of registration	…	
4.1.1.4 Functioning of a competent authority for registering hauliers, simple and efficient procedures in place (complemented by an e-registry of authorised hauliers)	…	
4.1.2 *yes*	…	
4.1.2.1 Only quantitative restrictions, no qualitative criteria considered	……	
4.1.2.2 Mix of quantitative restrictions and qualitative requirements	……	
5. Access to the market of international road freight operator (EU Member States should consider whole Question 5 in relation to non-EU member countries only.)		8.2
5.1 Bilateral agreements quantitatively restrict international traffic (This and subsequent questions under this bullet are relevant if the country has more than 5 bilateral agreements in place)		

5.1.1 *none*	…	
5.1.2 *yes*	…	
1 in-between two contracting parties	…	
2 for transit traffic	…	
3 for third-country traffic	…	
4 yes but certain cargo/traffic is exempt from quotas	…	
5.1.2.5 yes but qualitative stimuli are in place to receive quota bonus	…	
5.1.3 Look at the ECMT bilateral model agreement, Article 7. "exemption from permit requirements". (http://www.internationaltransportforum.org/IntOrg/acquis/road1997e.pdf) List those types of cargo that your country's bilateral agreements do not apply despite the ECMT recommendation	……	
5.1.4 Use of prescribed routes or entry/exit points is mandatory	…	
5.1.5 Technical requirements for vehicles deviating from international norms in place	…	
5.1.6 Fiscal (taxation) measures in place (except road tolls and /or user charges) and their rate (in local currency)	…	
5.1.7 MFN not applied (bilateral agreements deviate from each other as being conceived according to bilateral reciprocity)	…	
5.2 Multilateral permit/quota schemes (ECMT, BSEC, any other) applicable	…	
5.2.1 According to general rules of the scheme	…	
5.2.2 With national restrictions	…	
6. Business organisation and structure of the market		6.8

6.1 Chain of subcontracts (more than 2 contractual levels) cover more than 20% of the market		
6.1.1 No	…	
6.1.2 Yes	…	
6.2 Transport associations organise the industry on a voluntary basis		
6.2.1 None	…	
6.2.2 Yes, their representation level of all registered international hauliers	… %	
7. Implementation of international road transport facilitation instruments		8.2
7.1 Which of the legal instruments appearing in the box to the right has your country acceded to?	WTO GATT: … WTO GATS: … CMR: … Border Control Harmonisation Convention: … TIR: … AETR: … ADR: … ATP: … R.E.4 (UNECE Consolidated Resolution on the Facilitation of Road Transport): … with or without reservations: …	
8. Border crossing facilitation (EU Member States should consider whole question 8 in relation to non-EU member countries only.)		7.3
8.1 Single Window, risk analysis and joint checks exist at all main border crossing points with all neighbours	…	
8.2 Average border waiting times for trucks in both directions in minutes (from arrival to queue on one side till release on other side) at all main		

border crossing points with all neighbours	… minutes	
8.3 Mandatory trans-loading required at any border	…	
8.4 Mandatory use of certain commercial services (e.g. customs broker) required at any border	…	
8.5 Mandatory use of convoys required at any border	…	
8.6 Multiple-entry visa of at least one year validity provided for professional drivers	…	

* Average value of proposals by experts

It seems from the average weights of the main questions based on expert opinion that accent should be put on the following openness criteria in future benchmarking exercises:

- Admission to the profession of international road freight operator
- Access to the market of international road freight operator
- Implementation of international road transport facilitation instruments

10. Conclusions

General Considerations

In recent years, there appears to have been relatively little interest or evident action to opening up international freight markets in the UNECE region except for EU-intern international traffic carried out by operators established within EU member states.

No doubt that growing competition on the market has certain negative consequences, for example for market losers and eventually their dismissed labour force. Opening markets however carries advantages at macroeconomic level with beneficial impact on company level and the labour market not to speak about consumers' benefits. Macroeconomic advantages should equally make it possible to take care of unemployed labour force under the state's social responsibilities.

The term "opening" or "openness" of a certain economic sector refers better to improving operational conditions of such a sector's economic activity or freeing it from unnecessary limitations. Therefore, wherever possible it is recommended to use these terms which seem not to be burdened with negative undertones.

Closed or non-transparent borders, tough and unjustified international licensing regimes, rigid international permit requirements, limited quotas, non-application of the MFN principle are all hurdles for international hauliers, just to mention a few aspects definitely with negative influence on international economic ties.

If, in the negative sense, haulage were not able to meet (through JIT services, specific international logistic solutions for the collection and distribution of materials / products) the growing demand of the manufacturing industry, trade, agriculture and other sectors for regular supplies in relatively small units required by diminishing stocks, less material intensive production and cross-border cooperation of often hundreds / thousands of sub-suppliers to the same end-product, this would represent a serious set-back for economic and social progress.

Therefore, there is rationally no chance of return to previous patterns of quantitative or over-driven qualitative regulation in road haulage even in spite of certain potential draw-backs of opening.

Traffic Trends

WTO figures show that with the exception of 2001 and 2009, world exports have grown at a higher pace than world GDP since 1950. Ever since 2004 both growth rates are on the decline witnessing about slowing world economy well before the "official start" of the world financial crisis which had a shattering impact on world trade.

International road freight transport input (vehicle purchase) and output (tonnes carried or tonne-km performed) follow closely the demand cycle of the economy (GDP) in general and trade (export) in particular.

Dropping demand has caused a dramatic contraction of haulage (million tonnes) and especially that of the registration of new trucks. The bottom so far has been reached in 2009 Q3 followed by a "positive stagnation" ever since topped with a similar forecast trend.

The same tendencies can be observed in respect of the other important output indicator for road transport, i.e. tonne-km performance.

Modal split for EU27 has developed along the well-known pattern over the last decades characterised by the permanent growth of road freight transport's share.

What can be expected in a few years to come presuming that the world financial crisis will finally be overcome? On the one hand, the pattern of demand of the economy for haulage will possibly not change significantly. The positive features of the sector will remain intact despite growing problems like congestion or criminality. Furthermore, there are still significant reserves as to modernising the regulatory framework conditions and finally the sector will retain its ability to react to changing and challenging regulations (like the internalisation of external costs) with innovative solutions (via the reduction at the source of external negative effects). On the other hand, competition from other modes may increase without however being able to contest the market position of haulage. Intermodal operations may gain in significance.

Industry Characteristics

Out of the more than one million transport companies in EU27, hauliers indeed represent 60%, i.e. 600'000 enterprises (!). None of the other transport modes can be compared to the fragmentation level of the road freight transport sectors. The only comparable activity is "warehousing and support activities" practiced by 116'000 enterprises in EU27 in 2008.

The predominance of small entities in haulage is due to the abolishment of quantitative requirements for access to the profession in the majority of UNECE member countries and the partial though still limited opening of the international markets (in the extra-EU regions), the "divisibility" factor typical for the profession and the commonly accepted absence of economies of scale in road freight transport.

Attention is drawn in particular to the low average number of employees per company which at EU level was 4.75 (!) in 2007.

While the absence of scale economies may be true for the basic traction work, growing sizes of a complex logistics firm may result in perceivable economies of scale.

With the increasing need of the economy for more sophisticated logistic activities and the continuing tendency of non-core activities being outsourced by manufacturing and trading companies, a certain level of *capital concentration* has supposedly been observed over the last few decades in the road transport sector as a consequence of its becoming more and more involved in third-party logistics.

Available information for a certain number of countries show that a *trend of concentration can be observed* in road freight transport over the last 5-years period with respect to the distribution of companies by the number of vehicles and employees.

As a result of the extension of the EU to 27 member states with new member candidates on the horizon and the rail transformation processes accomplished and / or taking shape in these and partially also in EU and non-EU countries alike, we can say that a *slow market integration process* in the whole UNECE area has been going on for the last two decades featuring a more *open road freight transport sector and a gradually opening railway sector* in most of the countries concerned.

This opening process is *not without contradictions* and even reverse developments. There have recently been astonishing mergers and acquisitions in the road haulage sector by outstanding third party logistics companies in a

number of EU member states. These transactions have possibly been *cross-financed from state budget* support available by law for deficit making activities (partly linked to the PSO) of still state-owned old monopolies, like national railway or postal operators, who thus *actually* try to become *the owners of the rapidly growing logistics companies*. It is not really an exaggeration to say that these mergers and acquisitions if tolerated further on the account of the tax payers may lead to some sort of an undeclared re-nationalisation of parts of the haulage sector.

Conditions of Admission to the Profession and Market Access

Growing demand for much more sophisticated road freight transport with more and more value-added services in the form of modern logistic solutions has made the *rigid quantitative forms of admission to the profession explode*. This is the era featuring deregulation of the road haulage sector starting in the 70s-80s of the last century.

Today, the present EU membership fully applies the qualitative model as part of the "*acquis communautaire*" while non-EU UNECE member countries have taken over the most important elements of this model.

International market access conditions are regulated today either by internal common rules of a *group of countries* (e.g. the EU) or *bilateral and / or multilateral* road freight transport agreements. These agreements may contain qualitative and /or quantitative market access rules.

An EU-established operator is free to carry out any international operation within the EU. This ideal state of market access conditions can be called the "*fully open conditions*".

Roughly over the last fifteen years, qualitative market access criteria have started to be applied in bilateral road transport agreements without really abolishing only *softening previous quantitative limitations*. Under the aegis of a number of bilateral agreements contracting parties have accepted *quality conditions* for any further increase of restricted quotas of permits. It is difficult to argue for more open arrangements, like multilateral quotas for example in crisis times but once Europe and the world have the crisis out of the way, resumed international trade will have great problems with limitative arrangements for the most versatile international land transport mode, haulage.

Beyond the economic rationale, there is also a very strong set of *legal arguments against rigid bilateral agreements*: their contracting parties are in a clear breach of their obligations regarding openness under other legal instruments like international conventions.

The symbolic impact of the ECMT quota has always been very important on the haulage market though the share of international operations on the total international road freight transport market of the ECMT member countries has always remained marginal (around 5-6%).

Experiencing the restraints of bilateral road transport agreements, BSEC URTA, influenced by the example of the ECMT model, decided to set up a multilateral quota system in order to facilitate international haulage among seven BSEC member states of the region in September 2009.

Rules and conditions for international road freight transport in Central Asia and neighbouring countries certainly deviate from prevailing conditions in the EU or other European regions.

De-nationalisation has taken place in these countries resulting in some (former) elements of state-owned and a great number of private haulage enterprises co-existing and operating in the international road freight transport market. A reform of the regulatory scheme of international haulage has taken place. Basic international governmental ties have been established in the almost exclusive form of bilateral road transport agreements between newly and formerly independent countries. The model of these agreements features strict quantitative limitations of permit quotas on the basis of bilateral reciprocity.

There will be a growing pressure to introduce a multilateral component into the regulatory scheme in order to achieve the necessary facilitation of international haulage also in this part of the world in line with changing demand of shippers for more complex international road haulage services.

While some of the regional forms of multilateral cooperation seem to have seen successful implementation, other initiatives have failed or remained only on paper without coherent follow-up due to the lack of sufficient political will and / or economic interest.

There is a spectacular discrepancy between China becoming the world's factory for most consumer goods while its transport market is still relatively closed. With common borders to 15 neighbouring states, however, China is more and more conscious of the importance of well-functioning international road freight transport across these borders.

Europe, Central Asia or China on the Eurasian Continent are not alone with problems to overcome in order to facilitate access to the markets in road freight transport. The North-American Free Trade Agreement (NAFTA) countries as well as other American states have met serious difficulties of the type.

There is in America, with some exceptions (like between Canada and the US), a similar contradiction between relatively open foreign trade exchange conditions and closed relationships in international haulage as between China and the rest of the world. The complications experienced in US-Mexico trucking relations clearly witness about the seriousness of the problem.

In July 2007, Panama requested to apply the WTO dispute settlement (arbitrage) rules against Colombia, among other things on *discriminative restrictions on ports of entry for certain of its goods exported to Colombia.*

The claim and the ruling on the basis of GATT Article V is of great importance as in WTO's dispute settlement history no procedure has ever been commenced by a contracting party for infractions to the freedom of transit principle. This dispute settlement decision has proven GATT's strength in transit matters both in respect of the traded cargo and the related transport operation.

Business organisation and structure of the market

In an "ideal" situation, inter-company relations are formalised by contracts directly established between the interested parties.

Often however, direct contracts are substituted by a series of secondary or intermediary sub-contracts. In this case, the classical direct relationship is replaced by a chain of sub-contracts.

Indeed, faced with the fragmented haulage sector, we find a highly organised and more concentrated sector of forwarders and complex logistic service providers.

There are means to counter the harmful effects of structural imbalances, e.g. via transport capacity pooling. SMEs, in particular owner-drivers, may want to join groups of similar suppliers in order to strengthen their commercial power and their impact on market developments. Such groups may act on a permanent or ad hoc basis not only for sales but also for purchase purposes. A further means for diminishing harmful market developments could be the adoption of admission criteria for the forwarding sector.

The haulage and logistics sector does not exist in isolation and it is continuously exposed to the external world. Its partner industries have an enormous influence on the level of openness and structural changes in this sector. On the haulage and logistics sector's demand side we see shippers operating as trading and / or industrial companies or agricultural farms, etc., with or without own-account transport activities. On the supply side we find vehicle manufacturers and related trading companies, tyre manufacturers, spare-parts supply networks, vehicle technical support and various roadside services (first and foremost fuel station networks), road construction and maintenance companies, insurance companies and even state institutions "supplying" this sector's regulatory legislation as well as implementing and enforcing laws such as determining and distributing international transport permit quotas, etc.

Beside straight restrictions, even the concentration level in partner sectors should seriously be taken into consideration. If market power is highly concentrated in an important partner sector, e.g. vehicle manufacturing (supply side) or garment manufacturing or perishable foodstuff trading (demand side) in a country or a group of countries, the haulage and logistics sector tries to adapt its own structure to that of the partner industries in order to be in an efficient negotiating position when it comes to its purchases or sales.

The degree of openness of a country's haulage sector depends very much on the implementation of multilateral transport and related conventions. A basic indicator of the level of implementation of road transport facilitation instruments is for example whether or not the country concerned has acceded to important international conventions. Even in case of accession or adoption a further question is whether this country has entered reservations of application if such is legally possible regarding the instrument concerned. Finally, the real question is the level of daily implementation of international legislation by Contracting Parties.

Most of the European countries have acceded to basic UNECE facilitation instruments and this is certainly a positive phenomenon. It is the *Central Asian* region within the geographic scope of the UNECE and its direct neighbourhood where *further efforts are still necessary*.

It is of great relevance to monitor the follow-up UNECE member governments intend to give in this respect to a recent initiative to *adjust bilateral agreements to binding international conventions* in order to facilitate transit cargo movements in the UNECE region (proposal for a draft convention to align bilateral agreements on international road transport with the mandatory rules of multilateral instruments governing international road transit).

It is remarkable that most *UNECE conventions do not dispose of application clauses* and this makes the introduction of international harmonisation measures extremely difficult.

Economic costs of inefficiencies and restrictions

Waiting times at borders being measurable with certain ease (e.g. via time measurement) are often considered to be a *litmus paper* expressing economic costs of bureaucratic inefficiencies and unreasonable regulatory restrictions, i.e. the closed conditions of market access.

There have been a number of efforts to express the time lost at borders in *monetary terms* if for nothing else but to prove the high rate of return of improvements in border crossing procedures and physical facilities.

Main reasons for out-flagging from a country and in-flagging into another one can be diverse. The scarce availability of and poor accessibility to international road freight transport permits in difficult bilateral relations can be an important motivation behind decisions about out- and in-flagging.

International Road Haulage Openness Measurement Toolbox

Indicators of this toolbox should be relatively simple and robust in the hope of receiving an acceptable rate of replies. The toolbox may be applied also for self-surveying in case one would like compare international haulage's conditions in a given country to results of the same survey conducted earlier for the same country, or for another country or to values of an international benchmark yet to be defined.

For the purpose of an experimental benchmarking on the degree of openness of conditions of international haulage, a *detailed draft Questionnaire* has equally been proposed.

The average weights of the main questions based on expert opinion that accent should be put on the following openness criteria in future benchmarking exercises:

- Admission to the profession of international road freight operator
- Access to the market of international road freight operator
- Implementation of international road transport facilitation instruments

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List of Tables

List of Charts

Annex I Statistical Tables

1. International Transport of Goods and Cabotage, million tonne-km

Long standing ITF member countries

	2005	2006	2007	2008	2009	2010	2011
Austria	24 528	24 745	22 654	19 736	13 615		
Belgium	24 566	23 401	22 435	20 151	18 572		
Denmark	12 241	9 759	9 160	8 762	6 874	4 445	
Finland	4 042	4 251	3 856	3 421	3 395	4 376	
France	15 432	15 715	15 224	13 393	9 829	9 878	
Germany	65 965	71 994	74 436	69 664	56 747	55 346	
Greece							
Iceland							
Ireland	3 928	3 632	4 594	4 356	3 319		
Italy	40 245	38 792	40 245				
Luxembourg	8 422	8 335	8 676	8 957	7 872		
Netherlands	52 355	52 299	47 465	46 252	41 428		
Norway	2 895	4 077	3 956	3 972	3 170		
Portugal	21 448	23 816	27 893	22 083	21 442	22 602	
Spain	66 845	67 159	68 272	67 794	60 841	63 861	
Sweden	3 874	4 444	4 150	4 433	2 923	3 536	
Switzerland	863	1 079	1 147	1 106	1 022		
Turkey							
United Kingdom	10 434	10 043	10 707	10 082	8 575		

New ITF member countries

	2005	2006	2007	2008	2009	2010	2011
Albania							
Bosnia-Herzegovina							
Bulgaria	9 326	7 959	8 734	8 200	11 436	13 335	
Croatia	4 941	4 884	5 380	4 598	4 304	4 233	
Czech Republic	27 928	34 283	32 357	35 121	31 452	37 056	
Estonia	5 846	6 802	8 151	6 507	4 766	4 574	
FYR Macedonia	4 171	6 757	4 658	3 052	2 770	2 989	
Hungary	13 737	18 077	22 630	22 733	23 243	22 364	
Latvia	5 779	8 208	10 183	9 807	6 120	8 029	
Lithuania	13 771	15 901	17 573	17 858	15 124	17 106	
Malta							
Montenegro							
Poland							
Romania	32 133	34 561	35 589	33 194	13 386	13 792	
Serbia	315	508	722	686	765	1 126	
Slovakia	16 924	16 896	21 380	22 769	21 936	22 190	
Slovenia	8 672	9 834	11 162	13 625	12 485	13 643	

CIS ITF member countries

	2005	2006	2007	2008	2009	2010	2011
Armenia							

Azerbaijan	198	216	228	242	250	259	
Belarus							
Georgia							
Moldova	1 653	1 755	1 890	2 064	1 884	2 350	
Russia	1 976	2 151	2 893	4 803	2 859	3 365	
Ukraine	11 349	13 941	15 517	18 011			

Source: ITF, July 2011 http://www.internationaltransportforum.org/shorttermtrends/Selection.aspx

2. Exports, billion Euros, 2005-2010

Long standing ITF member countries

	2005	2006	2007	2008	2009	2010	2011
Austria	94	103	113	117	93	109	
Belgium	213	222	235	261	187	213	
Denmark	67	72	74	78	66	72	
Finland	52	61	65	65	45	52	
France	358	394	408	419	346	389	
Germany	786	895	969	994	808	959	
Greece	12	15	17	17	14	16	
Iceland	2	2	3	3	2	3	
Ireland	86	86	88	86	83	89	
Italy	299	332	364	369	291	337	
Luxembourg	10	11	11	11	9	10	
Netherlands	281	319	347	370	309		
Norway	82	96	98	114	85	90	
Portugal	31	35	38	38	31	36	
Spain	153	170	181	188	158	185	
Sweden	105	117	123	124	93	106	
Switzerland	101	112	120	129	119	128	
Turkey	59	68	78	89	73	79	
United Kingdom	306	359	322	308	253		

New ITF member countries

	2005	2006	2007	2008	2009	2010	2011
Albania	0	0	0	0	0	1	
Bosnia-Herzegovina	1	1					
Bulgaria	9	11	13	15	11	15	
Croatia	7	8	8	9	7	8	
Czech Republic	61	74	86	92	81	99	
Estonia	6	7	8	8	6	8	
FYR Macedonia	1	1	2	2	1	2	
Hungary	50	58	69	70	61	71	
Latvia	4	4	5	6	5	6	
Lithuania	9	11	12	16	11	15	
Malta	1	1	1	2	1	2	
Montenegro							
Poland	71	88	101	113	96	106	
Romania	22	25	29	33	28	37	

Serbia	3	5	6	7	5	7	
Slovakia	32	40	47	49	39	48	
Slovenia	14	16	19	19	16	18	

CIS ITF member countries

	2005	2006	2007	2008	2009	2010	2011
Armenia							
Azerbaijan	3	5	5	39	12	18	
Belarus							
Georgia		0	0				
Moldova	0	0	0	1	0	1	
Russia	194	241	258	320	218	303	
Ukraine	27	30	35	45			

Source: ITF, July 2011 http://www.internationaltransportforum.org/shorttermtrends/Selection.aspx

3. Modal Split development, EU27, % (tonne-km basis)

	Road	Rail	Inland Water	Pipelines
1995	67.4	20.2	6.4	6.0
1996	67.4	20.3	6.2	6.2
1997	67.3	20.4	6.4	5.9
1998	68.5	19.0	6.4	6.1
1999	69.8	18.2	6.1	5.9
2000	69.6	18.5	6.1	5.8
2001	70.5	17.5	6.0	6.0
2002	71.4	17.1	5.9	5.7
2003	71.6	17.3	5.4	5.7
2004	71.8	17.2	5.6	5.4
2005	72.3	16.7	5.6	5.5
2006	72.1	17.2	5.4	5.3
2007	72.5	17.2	5.5	4.8
2008	72.6	17.1	5.5	4.8
2009	73.8	15.8	5.2	5.2

Source: Eurostat http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database

4. Number of Enterprises by Mode of Transport, 2008

	Total	Road freight transport	Road passenger transport	Railways	Pipelines	Inland water transport	Sea transport	Air transport	Warehousing and support activities	
EU27	***1064696***	**600000**	**325728**	***806***	***135***	**9331**	***8222***	**4000**	**116474**	**EU27**
EU15										**EU15**
EU12										**EU12**
BE			2259			263		199	2863	**BE**
BG		8188	6719		0	25	24	38	1691	**BG**

CZ		28375	6119			87	0	32	4231	**CZ**
DK	**12615**	7057	3724	16	4	19	432	51	1312	**DK**
DE		36442			46	1428	1894	521	15605	**DE**
EE	**3810**	2543	293	9	0	2	27	9	927	**EE**
IE										**IE**
EL		5318			0			56	1018	**EL**
ES		139527			0	70	272	157	14082	**ES**
FR		40058	37599	26	26	1096	697		8804	**FR**
IT	**140155**	89466	27402	28	12	824	639	240	21544	**IT**
CY	**3557**	1346	1455	0	0	0	49	2	705	**CY**
LV	**5330**	2987	832	11	1	10	43	14	1432	**LV**
LT	**6551**	4177	1202	4	0	15	18	9	1126	**LT**
LU		482	173	2	1			17	158	**LU**
HU		18368	9291	20	4	86		101	3614	**HU**
MT										**MT**
NL	**22197**	8996	4257	19	8	3636	685	251	4345	**NL**
AT	**13727**	7216	4948	21	7	72	0	155	1308	**AT**
PL	**147580**	87241	50769	91	5	635	161	111	8567	**PL**
PT	**24832**	10856	11600	3	3	44	176	70	2080	**PT**
RO	**33956**	21775	9774	69	3	130	38	56	2111	**RO**
SI	**8383**	6464	1018	6	2	30	39	41	783	**SI**
SK		1484	163			11	0	9	675	**SK**
FI	**23040**	11346	9490	4	1	79	258	73	1789	**FI**
SE	**28702**	14875	9067	41	0	474	725	216	3304	**SE**
UK	**59832**	33967	12873	95	7	261	1269	981	10379	**UK**

Source: Eurostat, estimates (*in italics*) http://ec.europa.eu/transport/publications/statistics/pocketbook-2011_en.htm
(*) Including all urban and suburban land transport modes (motor bus, tramway, streetcar, trolley bus, underground and elevated railways)

5. Structural business statistics for road freight transport enterprises, EU27, 2007

	Number of enterprises	Turnover (million euro)	Personnel costs (million euro)	Number of persons employed	Gross investment in tangible goods (million euro)	Number of persons employed per enterprise	Turnover (thousand euro) per person employed	Average personnel costs (personnel costs per employee) (thousand euro)
BE	7 638	10 954	2 368	65 451	874	9	167	41
BG	7 097	1 416	79	37 552	393	5	38	2
CZ	c	c	c	c	c	c	c	c
DK	7 186	6 162	1 504	41 232	572	6	150	42
DE	34 824	29 131	7 401	318 011	2 506	9	92	26
EE	2 411	992	129	14 881	70	6	67	9
IE	c	c	c	c	c	c	c	c
EL	21 718	3 120	257	42 768	70	2	73	18
ES	138 599	38 725	7 590	415 710	2 482	3	93	26
FR	42 551	39 639	12 012	368 060	1 583	9	108	34
IT	93 427	47 367	7 678	346 311	1 779	4	137	34
CY	1 452	115	37	2 451	7	2	47	30
LV	2 656	1 058	81	20 570	348	8	51	4
LT	3 998	2 303	230	43 343	166	11	53	6
LU	469	1 139	294	8 477	29	18	134	35
HU	18 410	3 951	508	68 266	190	4	58	9
NL	8 865	19 066	5 056	127 905	982	14	149	43
AT	7 384	8 659	1 838	60 781	508	8	143	34
PL	80 990	14 149	967	243 185	987	3	58	6
PT	11 789	5 045	1 094	66 919	975	6	75	17
RO	18 422	3 779	284	86 591	1 061	5	44	3
SI	6 330	1 927	235	21 641	346	3	89	14
SK	1 246	885	115	15 041	153	12	59	8
FI	11 307	5 659	1 427	43 172	525	4	131	39
SE	14 833	9 137	2 438	74 957	858	5	122	40
UK	33 875	38 635	9 497	296 242	2 373	9	130	35
EU-27	577 477	293 014	63 119	2 829 517	19 836	4.75 (1)	100 (1)	26.2 (1)
NO	10 131	4 851	1 188	30 252	395	3	160	50

Source: Eurostat (sbs_na_1a_se)

(1) 2006 data. c: confidential. EU-27 excludes CZ (confidential), IE (confidential) and MT (not available).

Source: Eurostat,
http://epp.eurostat.ec.europa.eu/statistics_explained/images/5/57/Structural_business_statistics_for_road_freight_transport_enterprises_%28NACE_I6024%29_2007.png

6. Goods road transport enterprises, by number of *vehicles*

		2005	2006	2007	2008	2009
Czech Republic	1 veh	27'883	30'891	:	:	:
	2-5 v	14'837	15'019			
	6-9 v	3'829	4'268			
	10-19 v	2'154	2'305			
	20-49 v	901	972			
	more than 50	187	204			
Spain	1 veh	68'570	1'535	1'261	:	:
	2-5 v	50'939	111'268	115'413		
	6-9 v	8'291	13'583	13'993		
	10-19 v	4'572	4'396	4'325		
	20-49 v	2'362	2'221	2'757		
	more than 50	815	909	849		
France	1 veh	13'455	:	:	:	:
	2-5 v	11'852	:	10'526		
	6-9 v	3'567	:	3'644		
	10-19 v	3'036	:	3'094		

	20-49 v	2'228	:	2'283		
	more than 50	776	:	857		
Lithuania	1 veh	1'352	1'372	1'470	1'412	1'869
	2-5 v	911	938	1'037	1'127	1'194
	6-9 v	352	361	402	438	382
	10-19 v	291	323	372	357	308
	20-49 v	150	176	209	222	202
	more than 50	51	55	78	80	64
Poland	1 veh	55'106	60'026	63'632	61'541	56'328
	2-5 v	13'776	15'006	15'908	15'385	14'082
	6-9 v	745	802	785	424	308
	10-19 v	440	492	540	812	1'160
	20-49 v	263	272	323	391	647
	more than 50	53	72	87	111	164
Sweden	1 veh	:	:	:	:	:
	2-5 v	3'914	3'955	3'932	3'872	3'801
	6-9 v	832	874	933	928	912
	10-19 v	280	276			
	20-49 v	312	348			
	more than 50					

Source : Eurostat, http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database

7. Goods road transport enterprises, by number of *employees*

		2005	**2006**	**2007**	**2008**	**2009**
Estonia	1-5 empl	367	371	1'758	1'861	1'872
	6-9 e	722	740	299	326	330
	10-19 e	191	194	223	240	238
	20-49 e	87	95	121	114	111
	50 and more	28	30	31	31	31
Spain	1-5 empl	124'170	121'860	125'685		
	6-9 e	5'661	6'480	7'039		
	10-19 e	3'462	3'255	3'447		
	20-49 e	1'807	1'877	1'978		
	50 and more	449	441	450		
France	1-5 empl	26'047		24'525		
	6-9 e	3'365		4'113		
	10-19 e	2'982		3'049		
	20-49 e	2'544		2'502		
	50 and more	996		1'031		
Cyprus	1-5 empl	1'052	1'053	1'054	1'055	

	6-9 e	255	257	258	259	
	10-19 e	19	20	21	21	
	20-49 e	9	9	10	10	
	50 and more	1	1	1	1	
Latvia	1-5 empl	1'033	1'398	1'680	1'538	1'733
	6-9 e	389	397	412	485	299
	10-19 e	307	299	323	343	242
	20-49 e	129	178	192	193	162
	50 and more	37	39	49	54	42
Lithuania	1-5 empl	1'902	1'880	1'969	1'945	2'541
	6-9 e	432	491	595	614	561
	10-19 e	404	437	498	552	466
	20-49 e	259	289	361	358	302
	50 and more	110	128	145	167	149
Malta	1-5 empl			403	507	577
	6-9 e			12	13	12
	10-19 e			16	16	16
	20-49 e			7	8	8
	50 and more			2	1	1
Poland	1-5 empl	68'765	74'832	79'265	76'489	72'689
	6-9 e					
	10-19 e	830	955		1'045	1'079
	20-49 e	561	628	700	780	903
	50 and more	227	255	302	350	363
Romania	1-5 empl					
	6-9 e				20'175	20'967
	10-19 e				867	918
	20-49 e				502	407
	50 and more				197	167
Slovenia	1-5 empl	5'095	4'863	4'575	4'978	4'818
	6-9 e	460	515	568	393	357
	10-19 e	156	192	233	250	230
	20-49 e	82	93	97	125	114
	50 and more	31	33	35	41	39
Slovakia	between 1-5	:	:	:	6'106	5'820
	between 6-9				917	1'170
	between 6-9				416	927
	between 20-49				184	229
	50 and more					

Finland	1-5 empl	9'517	9'393	9'449	9'529	9'524
	6-9 e	728	743	817	838	805
	10-19 e	465	520	552	551	498
	20-49 e	173	179	195	194	195
	50 and more	44	46	51	47	47
Sweden	1-5 empl	5'658	5'641	5'840	5'762	5'634
	6-9 e	1'360	1'362	1'386	1'394	1'433
	10-19 e	704	782	816	842	812
	20-49 e	356	378	388	411	407
	50 and more	132	138	154	153	156
Norway	1-5 empl	8'676	7'455	8'998	8'908	
	6-9 e	509	1'806	554	541	
	10-19 e	322	357	351	370	
	20-49 e	148	152	182	191	
	50 and more	38	44	46	49	
FYROM	1-5 empl	84	111	112		
	6-9 e	28	36	41		
	10-19 e	22	32	41		
	20-49 e	15	12	16		
	50 and more	3	2	4		

Source : Eurostat, http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database

8. Distribution of Chinese international road passenger and freight transport by region, volume and turnover in 2007

Region	Passenger volume (10 thousand persons)		Passenger turnover (10 thousand passenger-km)		Freight volume (10 thousand tonnes)		Freight turnover (10 thousand tonne-km)	
	Amount	Proportion %	Amount	Proportion %	Amount	Proportion %	Amount	Proportion %
North-East	384.5	50.0	12,955.7	33.1	657.5	49.1	31,790.0	31.7
Central	94.4	12.3	16,359.3	41.7	243.1	18.2	52,618.2	52.5
South-East South	289.3	37.3	9,881.8	25.2	438.9	32.8	15,750.1	15.7
Total	768.7	100.0	39,196.8	100.0	1,339.5	100.0	100,158.3	100.0

Source: Road Transport in the People's Republic of China, IRU, December 2009 http://www.iru.org/en_bookshop_item?id=2

Annex II

Country reservations concerning the provisions of the unece consolidated resolution on the facilitation of road transport (r.e.4) (*trans/sc.1/2002/4/rev.4*)

Recommendation (paragraph)	Country	Provisional reservation	Final reservation	Part of the recommendation to which the reservation applies in the event of a partial acceptance	Observations/Explanatory comments
R.E.4 in its entirety	Netherlands		X		For the Netherlands, R.E.4 makes no contribution of legislative value in comparison with the INTERBUS Agreement and the ECMT resolution concerning the rules applicable to the international transport of goods by road.
	Austria				Austria accepts R.E.4 as it stands as a legally non-binding resolution; consequently, it cannot be guaranteed that all parts of the text will be implemented in Austria.
CHAPTER I, Section 1 - General provisions and principles					
1.2.1.6	Germany		X		ECE is not the appropriate venue to deal with matters concerning visas.
	Finland		X		
	Hungary		X		
	Portugal		X		
1.2.1.7	Switzerland		X		
1.2.1.9	Hungary		X		
1.2.1.11	Poland	X			It will be possible to implement this recommendation in the future when the

Recommendation (paragraph)	Country	Provisional reservation	Final reservation	Part of the recommendation to which the reservation applies in the event of a partial acceptance	Observations/Explanatory comments
					transitional period Poland has been granted in the negotiations with the EU for the adaptation of Polish road infrastructures to Community standards comes to an end.
1.2.1.11 (cont'd)	Russian Federation		X		Pursuant to bilateral agreements and national legislation, transit transport in the Russian Federation is carried out on the basis of permits, the number of which is agreed with the competent authorities of other States.
1.2.1.13.1	Finland		X		
CHAPTER I, Section 2 - Access to the profession					
2.1.1	Russian Federation				For transport undertakings of the Russian Federation, "licence" is understood as "clearance".
2.1.4	Russian Federation		X		Reservation on account of the inconsistency of the legislation in force in the Russian Federation, particularly the provisions concerning financial standing in order to exercise the profession of international road haulier, with this paragraph.
2.1.1	Russian Federation				Idem 2.1.1

Recommendation (paragraph)	Country	Provisional reservation	Final reservation	Part of the recommendation to which the reservation applies in the event of a partial acceptance	Observations/Explanatory comments
CHAPTER I, Section 3 - Passenger transport					
All of Section 3	Germany		X		Germany has concluded agreements with the various non-EU countries (including the Russian Federation) on safety and environmental standards to be complied with by buses and coaches. The resolution does not make it sufficiently clear that these standards may be maintained. If no reservations are entered, these countries could request an amendment to the bilateral agreements. Concerning occasional services, the resolution is in competition with the INTERBUS Agreement without, however, including the safety and environmental requirements to be complied with by buses and coaches on these services. By means of this reservation, Germany maintains its option to refuse to expand the scope of liberalization in the bilateral agreements and to refer back to the possibility of acceding to the INTERBUS

Recommendation (paragraph)	Country	Provisional reservation	Final reservation	Part of the recommendation to which the reservation applies in the event of a partial acceptance	Observations/Explanatory comments
					Agreement.
3.1.6	Russian Federation				With regard to the application of this provision in the Russian Federation, there is an additional requirement: the employees of the undertaking must be transported.
3.2.2.1	Russian Federation		X		The bilateral agreements and national legislation in force in the territory of the Russian Federation make no provision for the taking up or setting down of passengers in the course of the journey during occasional international services or for preferences (including exemption from authorization) in the operation of own-account services, and cabotage is prohibited.
3.2.2.1.1	Russian Federation		X	Second sentence of the paragraph: "when the services are carried out on the account of others … competent control authorities".	Neither bilateral agreements nor Russian legislation require foreign operators carrying out services in the territory of another country to have with them a certified copy of their national licence. As to Russian international operators, pursuant to Russian legislation, drivers are required to have with them a clearance and a motor

Recommendation (paragraph)	Country	Provisional reservation	Final reservation	Part of the recommendation to which the reservation applies in the event of a partial acceptance	Observations/Explanatory comments
					vehicle licence.
3.2.1.3	Russian Federation				The application of a foreign carrier is considered when the competent authority of the State in which the carrier is registered makes the relevant request.
3.2.2.4	Russian Federation		X	Paragraphs (a) and (c)	Authorization is required for the transport referred to in (a) and (c).
CHAPTER I, Section 4 - Goods transport					
4.2.1	Portugal		X		
	Russian Federation		X	The reservation concerns the phrase in brackets	
4.2.2	Finland		X	Subparagraphs 1, 10 and 13	
	Portugal		X	Subparagraph 10	
	Switzerland		X	Subparagraph 5	
	Turkey		X	Subparagraph 10	
	Russian Federation		X	Subparagraphs 2, 6 and 10	As regards subparagraph 5, no authorization is required for transport of livestock on the territory of the Russian Federation, irrespective of the type of vehicle used.
4.2.5	Russian Federation		X		Cabotage is prohibited on the territory of the Russian Federation.
CHAPTER II (Road vehicles)					
Section 2 and Annex 2 (Registration	Portugal		X		Certified copies for motor vehicles are not permitted in

Recommendation (paragraph)	Country	Provisional reservation	Final reservation	Part of the recommendation to which the reservation applies in the event of a partial acceptance	Observations/Explanatory comments
certificates for hired vehicles)					Portuguese legislation.

Source: http://live.unece.org/trans/main/sc1/sc1doc_2004.html

Annex III

Survey on Free and Fair Competition in the BSEC Road Transport Market[45]

This survey was conducted in early 2011 in the BSEC region to gain insight into conditions of international haulage in BSEC member countries.

The emphasis was put on the following issues:

- Bilateral Permits
- Multilateral Licences (ECMT)
- BSEC Permit
- Accession to and Implementation of UNECE International Conventions and Agreements
- Access to the Profession
- Maximum Permitted Weights & Dimensions, Road User Charges, Other Charges & Fees
- Drivers' Working Conditions, Checks and Sanctions
- Border Crossing Procedures
- Fuel Restrictions in the Tanks of Trucks Entering a BSEC Country
- Visas for Professional Drivers
- Transport Cost Factors

The following conclusions were drawn:

- Not all BSEC countries have concluded bilateral road transport agreements between each other (out of 132 possibilities, 24 agreements are lacking (18,2%)
- The bilateral (direct) transport is free (no permit required) only in 22% of the bilateral relations
- Transit transport is free (no permit required) only in 17,4% of the bilateral relations
- 3rd country transport is free (no permit required) only in 6,1% of the bilateral relations
- The ECMT Basic Quota of the BSEC countries is 1.788, which is multiplied according to the emission features of the vehicle fleets, and thus reaches a total amount of 12.408 licences
- From 12.408 ECMT licences in the BSEC region, 10.883 (87,71%) are restricted in Greece and 7.042 (56,75%) are restricted in Russia
- The BSEC Permit is valid only in 7 BSEC countries. Its usage has been extended to cover bilateral road transport of goods in addition to transit journeys
- All 12 BSEC countries are contracting parties to the TIR Convention, the Harmonization Convention, the CMR Convention and AGR (E Road Network); 11 BSEC countries are contracting parties to the Convention on Road Traffic (except Turkey) and the AETR (except Georgia); 10 BSEC countries are contracting parties to the ADR Convention (except Armenia and Georgia)
- Criteria for access to the profession are similar in all BSEC countries; professional training and examination is compulsory in each BSEC country
- All BSEC hauliers engaged in international road transport must comply with the rules related to driving time, break and rest period, under the AETR Agreement and EU Regulation 561/2006
- The time to cross a border varies from 1 hour to several days due to problems related to checking procedures, lack of appropriate infrastructure facilities and staff related problems.
- In general, the trucks are allowed to enter a country with unlimited quantity of fuel in the original tanks installed by the manufacturer. However, Azerbaijan and Greece enforces a restriction of 200 litres while Turkey enforces a restriction of 550 litres
- BSEC drivers are exempt from visa obligation in 51,16% of the bilateral relations (drivers need visa in 33.33% of the EU BSEC Member States and in 66,67% of non-EU BSEC Member States)

[45] Survey on Free and Fair Competition in the BSEC Road Transport Market
http://www.bsec-urta.org/content/files/19GA%20english/SURVEY%20G2837.pdf

- The cost of transport is affected significantly by the cost of diesel (€ 0,70 per liter - €1,64 per liter) and driver salary (€800 - €3,300 per month)
- The cost of transport is also affected by numerous taxes and fees enforced by the national authorities