

CLPM-CLCP/B1642/SPR

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IRU DECLARATION**Declaration on structural problems in the international road transport market****I. ANALYSIS OF THE SITUATION*****Introduction***

The international road transport market has been progressively liberalised since 1986, through the abolition of the tariff systems and quota restrictions, which had been in force since the end of the Second World War. Despite its positive side, it has to be noted that liberalisation was accompanied by a weak regime governing *market access* (using subjective criteria) and that no market observation system was put in place to enable the authorities to act properly in case of market disturbances. In recent years, it has become apparent that the market is not functioning properly: indeed, in 2000, the dysfunctioning of the market became obvious (with variations in intensity in the various countries and regions), indicating a need for adjustment. When the liberalisation process began, it was decided by the EU Institutions that the harmonisation of fiscal, social and technical matters should go hand-in-hand with deregulation. However, real harmonisation has not yet materialised. Efficient transport is a sine qua non condition for economic growth. With road transport covering 85% of land transport of goods within the EU, a sound and well-functioning road haulage industry is in the interests of society.

Events in 2000

During the year 2000, the cost of diesel fuel for lorries increased by up to 40% due to a combination of *tax increases in different countries, high crude oil prices and margins in the oil refining and distribution industry*. The pump price of diesel changed more than 40 times during the year. The frequency of price changes has made it very difficult, if not impossible, for road transport companies to pass on major increases in their costs to their clients.

Structural changes

In order to save costs, big transport and logistics operators have increasingly outsourced transport work to small transport “companies” – typically family enterprises, which often operate exclusively as a subcontractor for one logistics company. In many cases, these small enterprises own just one lorry, which may even be leased, whereas the logistics operator or a leasing company provides trailers, semi trailers or swap bodies. This change in the structure of the road transport industry has without doubt contributed to even more rational transport and logistic solutions, as the small truck operators have focused on their specialty. But it has also created a structure in which questions like commercial behaviour, cost calculations, liquidity, etc. need to be addressed through improved quality criteria in the form of training and education, financial standards, the need for permanent structures, etc.

Sources of productivity gains dry up

For many years, road transport companies have been able to compensate for increases in their operating costs through productivity gains such as improved performance of new vehicles as far as speed and fuel consumption is concerned, greater weight or volume of freight per vehicle, better management of the vehicle fleet made possible by modern logistic and telematics etc. As the recent technical progress has been fully exploited, and with increasingly severe restrictions on driving hours, sources of productivity gains hardly exist anymore. However, this recent history of ever-increasing productivity has had the result that customers are totally unaccustomed to facing price changes of the size and frequency needed to maintain transport operators' profitability in the face of the massive cost increases seen in the year 2000.

However, satisfactory freight rates are necessary if the road haulage industry is to continue offering in the future the high quality of service demanded by its clientele.

“Out flagging”

For many EU road transport companies, outsourcing to countries with lower costs (“out flagging”) has proved a way of reducing costs. It started by outsourcing to other EU countries with lower vehicle taxes (a consequence of the lack of harmonisation within the EU), but in the last few years, there has been an important and increasing move towards out flagging to non-EU countries.

Third country drivers

Another way of controlling cost increases has been to replace EU drivers with drivers from outside the EU (so-called “third countries”) who are willing to work longer hours and/or accept lower salaries. Under mounting pressure from big customers and due to the increasing discrimination resulting from the lack of harmonisation of the components of competition, this practice is increasingly seen as inevitable for the survival of transport operators.

Combined transport: lower quality, higher prices

Over the years, several road transport companies have considered combined road/rail transport with semi trailers or swap bodies transported by rail over longer distances as a useful way to rationalise their operations. However, in recent years, the railways have simply been unable to deliver the quality of service required by the customer. Not only do many combined transport trains frequently arrive several hours after their scheduled time of arrival, the prices charged by the railways for their service have also increased more than the general cost of transport services.

Own account transport also affected

In recent years, there has been a clear trend by own account operators to cooperate with road haulage companies and, hence, they have a strategic interest in properly functioning road transport markets, and in having goods transport companies that are effective and efficient in providing transport services of ever increasing quality, that can be combined as appropriate with the logistic activities of the own account operator.

Freedom to provide and develop road transport services has led to the outsourcing of a great deal of own account transport. It is a responsibility of the commercial partners concerned to agree on the conditions for such development, with due account taken of sub-contracting practices as observed in the road transport industry.

Level playing field

Achieving and maintaining compliance with the legal framework and thus avoiding unfair competition is of critical importance if road transport markets are to function properly. Indeed, the organisation of road transport supply is such that a limited degree of non-compliance tends to affect rates disproportionately, to the detriment of the sector as a whole. Stringent enforcement, including harmonised and dissuasive penalties, in all Member States is therefore necessary.

II. RESULT OF ANALYSIS: AUTHORITIES AND INDUSTRY MUST WORK TOGETHER

Realising that the well-functioning of a totally liberalised market regime requires the introduction of efficient accompanying measures, the IRU Goods Transport Liaison Committees call for adjustments in the form of Community initiatives and EU action plans.

First of all, a market observation system for monitoring the transport market in case of disturbances enabling adequate interventions is needed. Indicators that clearly show the evolution of supply and demand are needed to make the market more transparent. Indices showing cost developments for different kinds of road transport have to be published regularly.

Identical control measures in the form of digital tachographs in EU and third country vehicles are needed to prohibit the social cost discrimination and abuse of third country drivers as well as the misuse of drivers from affiliated companies established outside the EU.

Training and education of the owners and managers of small and medium-sized transport companies as well as implementation of permanent structures for such enterprises must be introduced in order to increase the competence of the individual companies – mainly the SMEs – and the employed staff members, including the drivers of the lorries.

Cooperation Pact

Industry and authorities need to work together. In light of their common responsibility, a pact should be established between the authorities (initiated by the European Commission) and the road transport industry (represented by the IRU and its EU Liaison Committees), with a view to strengthening the competence of the industry and securing a sound transport market.

The IRU offers its assistance in discussions of the above subjects at the Forum/Round Table to be organised in accordance with the Council Decision taken on 20 September 2000.
