

Openness of International Road Freight Transport Markets in the UNECE Region

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Background

- ▣ The road freight market has recently become more inward looking and even protectionist
 - ECMT, bilateral and cabotage experience
- ▣ True reasons for protectionism are many and complex
- ▣ But facilitated international trade and transport represent a means to higher economic growth and greater prosperity
- ▣ *Hence the importance to assess the level of freight market facilitation and openness and to develop suitable indicators*

Mandate - TOR

- ▣ The study will propose a set of generic *indicators of liberalisation* in the road transport sector and will describe the current situation in the road freight sector in the UNECE countries
- ▣ *Desk research*: information available on the worldwide web between the 15 July and 20 August 2011 has been used

Contents requirements

- ▣ General traffic trends and industry characteristics
- ▣ Broad review of market access conditions
- ▣ Organisation and structure of the market
- ▣ Level of the implementation of relevant international regulations and the pervasive bottlenecks on the border and behind the borders
- ▣ Conclusions and recommendations
- ▣ Deadline: 15 November 2011

The study – General considerations

- ❑ Avoid using the term liberalisation >> “opening” and “openness” - not burdened with negative undertones
- ❑ Opening up = doing away with over-regulation
- ❑ Easing rigid (access) regulations mainly of quantitative feature should not be conducted without reinforcing *qualitative* framework conditions
- ❑ Sensitive issue since road haulage firms are often small and adverse consequences of globalisation and market liberalisation ... are felt more keenly in times of crisis (Bernadet)
- ❑ Transport policy makers, lobby organisations and operators are in favour of opening in *all* countries except in their *own*

The study –Traffic trends and industry characteristics

- ▣ Cargo transport (tonnes, tonne km, vehicle registration) compared to trade and GDP development: *long-term and crisis data*
- ▣ Modal split trends: *permanent growth of road freight transport's share with some exceptions in recent past and near future*
- ▣ Concentration level of the haulage industry:
 - *Number of Enterprises by Mode of Transport*
 - *Number of hauliers per one million of population*
 - *Evolution of turnover, number of persons employed and tonne-km*
 - *Economies of scale: yes, in complex logistics*
 - *Growing capital concentration: number of vehicles and that of employees per haulier*

The study – market access conditions 1

- ▣ Admission to profession: quantitative and qualitative criteria considered from the point of view of openness
- ▣ Access to international markets from the point of view of openness
 - Group-intern, bilateral and multilateral systems
 - Admission to the Profession and Market Access for International Own-Account Transport

The study – market access conditions 2

- Regional solutions for market access
 - ECMT Quota
 - BSEC Quota
 - Central Asia and neighbouring countries
 - International road freight transport of the People's Republic of China
 - The NAFTA rules: access of Mexican hauliers to the export-import freight market of the US
 - Central-America: WTO dispute settlement on transit matters, the case *Panama vs. Colombia*

The study – Business organisation and structure of the market 1

- ▣ Forwarders, contractors and subcontractors, chain of contracts, degree of fake independence
- ▣ Market situation in partner sectors
- ▣ Implementation of international road transport facilitation instruments, problems related to non-harmonised rules and their uncoordinated application

The study – Business organisation and structure of the market 2

- ▣ Economic costs of bureaucratic inefficiencies and unreasonable regulatory restrictions
 - Example of border delays
 - Spontaneous reaction of private industry to minimise losses - out-flagging

Scheme of basic indicators of the International Road Haulage Openness Measurement Toolbox (IRH OMT)

Basic Indicator	Supposition
<ul style="list-style-type: none"> • Non-market conform state interventions in the transport modal split (= forced modal transfer) 	the less such interventions the better
<ul style="list-style-type: none"> • Capital concentration levels: size of fleets 	the smaller part of the fleet is concentrated in a few big companies the better
<ul style="list-style-type: none"> • Ownership structure: size of the state owned sector 	the smaller the state owned part of the fleet the better
<ul style="list-style-type: none"> • 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
<ul style="list-style-type: none"> • 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
<ul style="list-style-type: none"> • 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
<ul style="list-style-type: none"> • Informal (voluntary) organisation of the profession: impact of industry associations 	the more support services trade associations offer to SMEs the better
<ul style="list-style-type: none"> • 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

The study – Conclusions 1

GENERAL

- ▣ Relatively little interest or action to opening up international freight markets in the UNECE region except for EU-intern international traffic
- ▣ Growing competition on the market has certain **negative consequences**; opening markets however carries **advantages** at macroeconomic level
- ▣ If haulage were not able to offer complex international logistics services, this would represent a **serious set-back** for economic and social progress

The study – Conclusions 2

- ❑ Rationally *no chance of return* to previous patterns of quantitative or over-driven qualitative regulation

TRAFFIC

- ❑ Dropping demand has caused a dramatic **contraction** (million tonnes, registration of new trucks); bottom so far in 2009 Q3 followed by a “positive stagnation”
- ❑ **Demand pattern** for haulage will not change significantly; **positive features** of the sector will remain intact despite growing problems

INDUSTRY

- ❑ No other transport mode can be compared to the **fragmentation** level of haulage

The study – Conclusions 3

- ▣ Growing sizes of a *complex logistics* firm may result in *perceivable economies of scale*; certain level of *capital concentration* has been observed over last few decades
- ▣ *Slow market integration* process in the whole UNECE area has been going on *not without contradictions* and even reverse developments
- ▣ EU membership fully applies the **qualitative admission** model, non-EU UNECE member countries have taken over most important elements of this model
- ▣ **Qualitative market access** criteria have started to be applied in bilateral road transport agreements without abolishing only *softening quantitative limitations*

The study – Conclusions 4

- ▣ The crisis out of the way, resumed international trade will have great **problems with limitative** arrangements
- ▣ *Also legal arguments against rigid bilateral agreements:* clear **breach of obligations** regarding openness under international conventions
- ▣ Support for **multilateral quota** systems
- ▣ Central-Asia: growing pressure to introduce a **multilateral component**
- ▣ China: **discrepancy** between “world’s factory” status and closed international haulage market; America: similar contradictions (US- MEX, PAN-COL)

The study – Conclusions 5

- ▣ Direct contracts often substituted by **chain of sub-contracts**
- ▣ **Fragmented** haulage sector
<> *concentrated sector of forwarders and complex logistic service providers*
- ▣ **Partner industries** have enormous *influence on level of openness and structural changes in haulage*
- ▣ Means to **counter harmful effects** of structural imbalances

The study – Conclusions 6

INT'L CONVENTIONS

- ❑ Openness in haulage sector depends on implementation of int'l **conventions**
- ❑ **Waiting times at borders** - a *litmus paper* expressing economic costs
- ❑ Scarce availability of and poor accessibility to *transport permits* can be an important *motivation* behind decisions about **out- and in-flagging**

Recommandation

For benchmarking purposes, it is proposed to pilot the International Road Haulage Openness Measurement Toolbox

Thank you.

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