



UNION OF ROAD TRANSPORT ASSOCIATIONS IN THE BLACK SEA ECONOMIC COOPERATION REGION  
(BSEC-URTA)

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Istanbul, 01 May 2006

## **NINTH MEETING OF THE BSEC-URTA GENERAL ASSEMBLY**

BSEC PERMIS Headquarters, Istanbul - TURKEY  
Thursday, 11 May 2006, at 10:00 hrs

### **FUTURE PAN-EUROPEAN ROAD TRANSPORT MARKET AND THE ROLE OF THE ECMT MULTILATERAL QUOTA SYSTEM**

*(Information Paper compiled by the BSEC-URTA International Secretariat)*

The origin of the liberalisation of trade in Europe lies in the Treaty of Rome and creation in 1957 of the European Economic Community.

The same treaty provided for establishment of a common transport policy, which was also based on principles of market economics, and which was designed to remove obstacles to competition between carriers of different countries.

The enlargement of the European Union to the new countries of Central Europe extends the area within which road haulage movements are liberalised on the basis of EU licences issued in accordance with qualitative criteria relating to access to the profession of road haulier, but without any quantitative restrictions relating to market access.

The transport liberalisation policy developed within the framework of the European Union is based on the following principles:

- economic efficiency through the application of market economy principles,
- fairness (aimed at ensuring that the same conditions of competition apply to hauliers, whether they are from different countries or carriers operating in different modes,
- protection of the environment and safety,
- the public authorities are responsible for enforcement and penalties for non-compliance with regulations.

On the other hand, the institution, in 1973, of multilateral ECMT licences was a first step towards transport liberalisation on the wider scale of Conference member countries.

Today, due to the last enlargement of the European Union, the geographical scope of application of the ECMT multilateral licences has been automatically reduced and restricted to transport between EU Member States, older or new on the one hand, and external countries located on its eastern borders on the other, or between those external countries. Yet such transport movements account for only a small proportion of traffic compared with flows between the EU Member States.

With regard to international transport, liberalisation allows forwarders in so called "rich" countries to call on the services of hauliers from so called "poor" countries and thereby benefit - and if they pass on this advantage allow their customers to benefit - from the difference in the cost of labour. This mechanism is strengthened by the efforts made by hauliers from "rich" countries to increase their productivity in response to greater competition that is both direct (competition from hauliers in "poor" countries) and indirect (competition from hauliers from their own country who reduce their international activities and fall back on the domestic market).

While competition on the whole benefits consumers and therefore economic growth, liberalisation also has its "losers", namely hauliers from "rich" countries and their employees. It is worth noting, however, that hauliers from "rich" countries can also reduce their losses, or even become "winners", either by extending the practice of sub-contracting work to hauliers from "poor" countries, acquiring shareholdings in hauliers from "poor" countries, or establishing subsidiaries in those countries, in order, in the last two cases, to use the activity of their subsidiary to offset losses in the home country.

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It is understandable, however, that not all hauliers from "rich" countries are able to undertake such forms of relocation and for this reason these hauliers attempt to put pressure on their governments to slow the liberalisation process.

This is clearly what is happening at present: hauliers from "rich" EU Member States are trying to restrict liberalisation between the Union and the "poor" countries on the Union's eastern borders. This is without any doubt the background of the reforming of the ECMT Multilateral Quota System.

A Special Advisory Group to the ECMT Council of the Ministers presented a Report to the Ministerial Meeting in Moscow on 24 May 2005 on "International Road Freight Transport in Europe - Market Access and the Future of the Licence System"

The Report contains medium and long-term analysis of the principles that should govern access to the road freight transport market within the European area.

### **The liberalisation of market access is a positive and inevitable development.**

The liberalisation is positive in the light of the theory of the international division of labour, which shows that the liberalisation of international trade in goods and services leads to a situation that is on the whole beneficial to all countries.

However, it also shows that in the short term the adjustments generated by liberalisation can adversely affect stakeholders in more developed countries because of lower costs from newcomers and encourage relocation of production to "poor" countries.

This can explain the reluctance of carriers in "rich" countries to support a further extension of this liberalisation, which is currently limited to the European Economic Area.

The argument of a supposed "inferior quality" of service from new entrants is not valid either as the imposition of strict environmental and safety standards requires them to purchase and use the highest quality vehicles, which are available only in the countries with the most advanced technology.

The liberalisation of market access is also inevitable given the economic and political context in Europe which is characterised by:

- strong projected economic growth for the European countries outside the EU, and still higher growth in these countries' trade with EU-25, while road transport will continue to be important;
- the liberalisation of road transport within the EU, which is justified by solid arguments that can also be applied to relations between EU countries and third countries;
- the evolution and effective enforcement of international law (in particular, the freedom of transit provided for by the GATT).

### **Overview on the current situation in ECMT.**

The relations between countries in the European Union and Non-EU are characterised by the fact that there are many bilateral licences but only few multilateral licences.

The advantages and disadvantages of bilateral and multilateral systems are set out.

On the one hand, bilateral systems allow States to protect national interests, to negotiate solutions to other problems, to manage the pace of change and to deal with enforcement and sanctions problems directly. On the other hand, bilateral systems lead to segmented markets, are not transparent, may be discriminatory, may influence trade relations and can be costly to manage.

As regards the multilateral system, the main weakness is the absence of legally enforceable control and sanction mechanisms. Countries need either to increase trust among them or provide more scope to the ECMT to deal with infringements.

A gradual move from bilateralism towards multilateralism seems desirable. In spite of many countries which wish to maintain bilateral systems, the ultimate objective should be to eliminate them.

The Report of the Advisory Group states that European States must move towards greater liberalisation, but this process must be regulated by provisions that limit the disadvantages of liberalisation.



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Followings are proposed, by the Advisory Group, to be realized but in a balanced manner:

- a) the gradual increase in the quota of multilateral licences, which will replace bilateral licences, so that by 2020 the liberalisation of international transport would be complete, with quantitative restrictions to market access being eliminated at that date.
- b) the strengthening of safeguards through progress in the following fields:
  - enforcement and penalties, by giving the ECMT a stronger role in these fields;
  - harmonisation of competitive conditions, in particular by imposing specific requirements for vehicles, staff and firms eligible for multilateral licences;
  - compliance with the intended purpose of multilateral licences in order to prevent them from being used primarily to engage in "cabotage" across the European Union, by limiting the number of trips that licence-holders can make between third countries;
  - distribution of the quota amongst ECMT Member countries, based on the needs and actual use of the received licences.

These conclusions of the Advisory Group Report to the Meeting of the ECMT Ministers of Transport in Moscow on 25 May 2005(CEMT/CM(2005)16) are based on two convictions:

- It is not possible, given the economic and political context in Europe, to maintain constraints as stringent as those that result when road transport is organised primarily on the basis of bilateral licences. Moving towards liberalisation is both necessary and inevitable. This can be achieved by gradually increasing the number of multilateral licences to be substituted for bilateral ones,
- Countries fearing that this liberalisation will take the form of unbridled competition and will unduly jeopardise the interests of their carriers must be given assurances that the "rules of the game", which for that matter can be strengthened, will be complied with.

The Ministerial Meeting in Moscow decided on the Reforming of the Multilateral Quota System under a new criteria system.

The next ECMT Ministerial Meeting will be held in Dublin on 17-18 May and will adopt the new allocation criteria as proposed by the ECMT Group on Road Transport, to be implemented as of 1 January 2007.

In 2007, the Ministers will meet in Sofia and it is expected to have on the agenda some road transport related items:

- Facilitation, including problems at border crossings and security,
- Creating a level playing field for competition in international goods and passenger transport (access to the profession, driving and rest times, training, controls, driver attestation etc.) The debates will focus on the results of the work of the recently created ECMT Task Force on social issues.
- It is expected that, the ministerial session to devote political time to discuss issues of interest for bus and coach operators (regular lines, controls etc.). The idea of working out a multilateral agreement on regular lines was forcefully advocated during the jointly ECMT-IRU organized 4<sup>th</sup> European Bus and Coach Forum in Kortrijk, Belgium on 21 October 2005.

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