



DIRECTORATE GENERAL FOR INTERNAL POLICIES
POLICY DEPARTMENT B: STRUCTURAL AND COHESION POLICIES

TRANSPORT AND TOURISM

**DEVELOPMENT AND IMPLEMENTATION
OF EU ROAD CABOTAGE**

EXECUTIVE SUMMARY

Abstract

The study provides an analysis of the European freight cabotage transport services in the EU and discusses the main changes that have occurred in the regulation of this market in recent years. The entry into force of Regulation (EC) No 1072/2009, and the gradual opening of the market to the Member States, have been the two major drivers of change in the past ten years. The study analyses the amendments that have been made to the Regulation and looks at enforcement provisions within Member States. The study provides updated statistical data on cabotage, where available. It also provides an assessment of socio-economic effects within Member States during the application of the current and previous Regulation commenting on the extent to which these changes were due to Regulation (EC) No 1072/2009 or to other factors.

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EXECUTIVE SUMMARY

This research study is intended to inform the parliamentary debate on further liberalisation of the road haulage sector looking at the manner in which cabotage has grown in Europe in recent years, understanding how much of the changes have been due to the entry into force of Regulation (EC) No 1072/2009 or other causes and discussing the socio-economic impacts following these changes. A description of cabotage and its functioning is included in Chapter 1.

The study is composed of a number of sections as set out in Chapter 1 and is supported by evidence that has been gathered through a number of case studies that are annexed to this study. The analysis is supported, where possible by quantitative information although we have seen that the amount of quantitative information that has been gathered by Member States is often limited and is usually different between Member States.

THE REGULATION

Regulation (EC) No 1072/2009, adopted to harmonise cabotage rules across the EU, was passed when the EU international road freight market was undergoing numerous changes, mostly driven by the 2004 enlargement which opened the door to hauliers from new MS although with some restrictions. These restrictions were removed in 2009 (and in 2012 for Romania and Bulgaria). EU legislation prior to this Regulation (in the form of Regulation EEC No 3118/93) already contained cabotage provisions although some areas were not defined in sufficient detail (for example: what was meant by cabotage needing to be temporary) leading to different interpretations at a national level creating barriers to entry for foreign cabotage operators.

Regulation (EC) No 1072/2009 sought to address these concerns through a number of provisions, the two main ones being: the introduction of the rule whereby no more than 3 cabotage operations can be undertaken within a 7 day period following an international consignment; and the harmonisation of the documents that need to be carried on a cabotage journey to confirm the legitimacy of the cabotage operation.

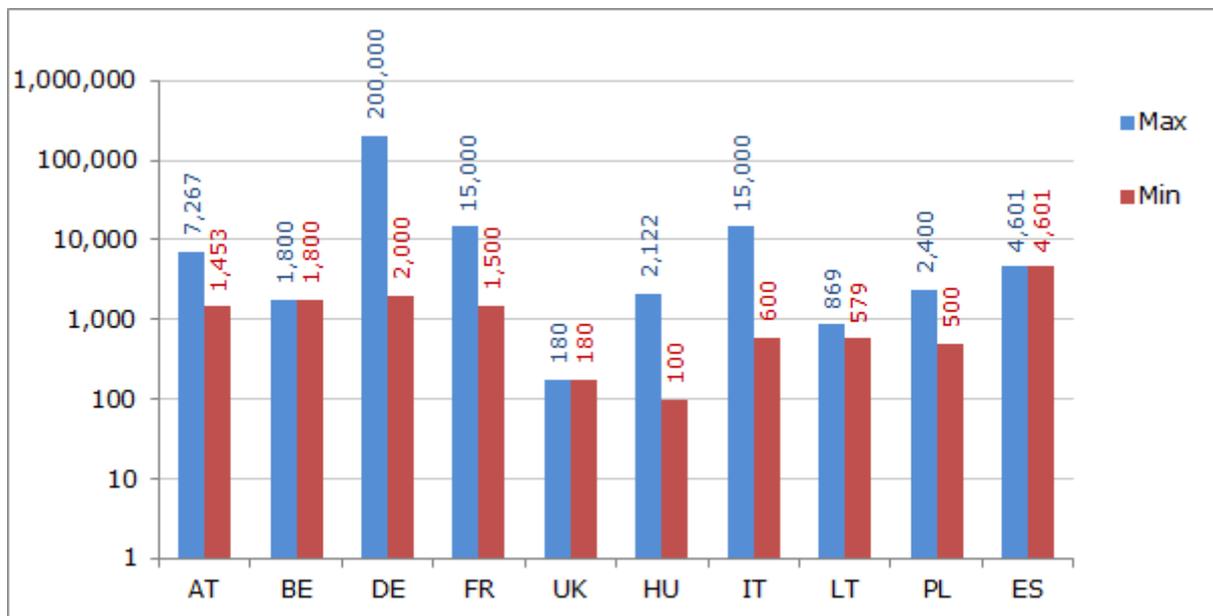
Following the entry into force of the Regulation in May 2010 the Commission published a number of clarifications to facilitate the interpretation of the Regulation. Some concerns still remain in relation to, for example, multidrops and sanctions. These issues are discussed in more detail in Chapter 2.

ENFORCEMENT

This research study has looked in detail at monitoring and enforcement of cabotage provisions within a number of Member States and has found that there are a number of factors that have a direct impact on the manner in which cabotage operations are monitored and enforced. Firstly, in a number of Member States there are multiple bodies tasked with monitoring infringements in road transport legislation (including cabotage), this fragmentation has led to difficulties in coordination and has made it difficult to monitor cabotage operations effectively. Secondly, and related to the first point, there is little coordination across national borders making enforcement of operations in the “home” market even more difficult. Thirdly, a number of enforcement bodies do not have sufficient resources to monitor cabotage operations effectively. Finally, sanctions for cabotage

infringements vary greatly across the EU creating different incentives in different Member States (as shown in the figure below).

Sanctions applicable to cabotage in selected Member States (€)



*additionally in France hauliers can be sentenced for up to 1 year of imprisonment (limited to hauliers from countries that are not allowed to undertake cabotage operations in France);

Source: SDG case studies, national laws and interviews with Ministry of Transport in selected MSs.

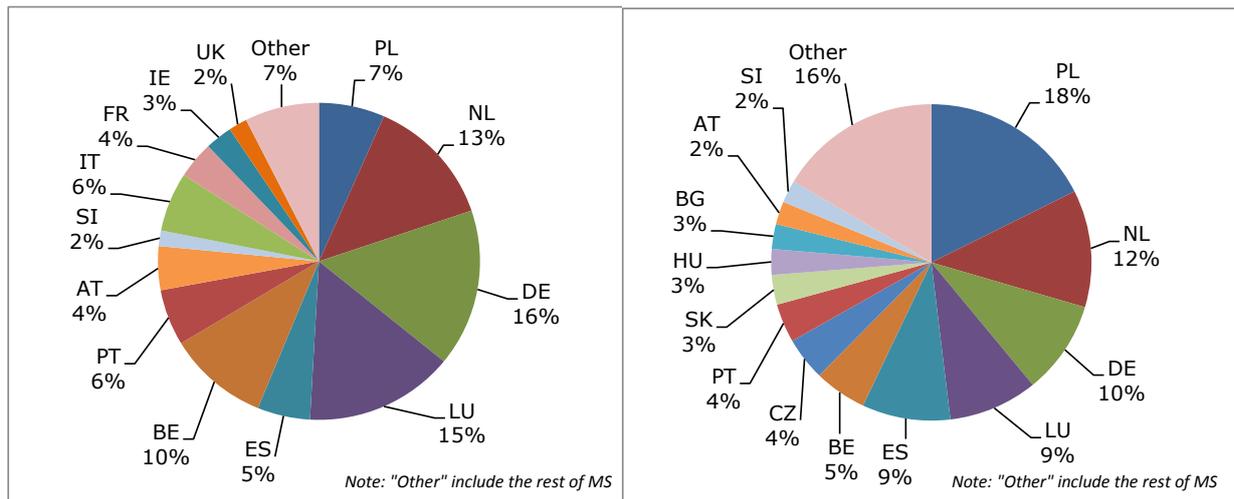
Although data on infringements is difficult to come by, we have seen that in those case studies countries where detailed information is available (Germany and the United Kingdom) infringements were between 0.2% and 0.45% of total inspections.

Through the analysis set out in Chapter 3 we have also been able to identify a number of good practices in enforcement, these include the coordination efforts relating to enforcement pursued in Italy and the OCRS developed in the United Kingdom. These should be studied in more detailed and applied in other Member States where feasible.

MARKET REVIEW

The analysis of market data shows that a key change has occurred in the EU cabotage market with hauliers from EU12 Member States having an increased role in cabotage operations. Overall the proportion of cabotage operations undertaken by vehicles registered in one of the EU12 Member States increased from 12% in 2007 to nearly 40% in 2011. Polish hauliers are among the most active ones: in 2011 they carried out the most cabotage operations in the EU, surpassing the volumes of German and Dutch hauliers. By contrast, the destination countries have remained the same: Germany, France, Italy and the United Kingdom. The figure below shows the change in origin of the main cabotage operators between 2007 and 2011.

Origin of most active cabotage operators in the EU in 2007 (left) and 2011 (right) (based on data in tonne-km)



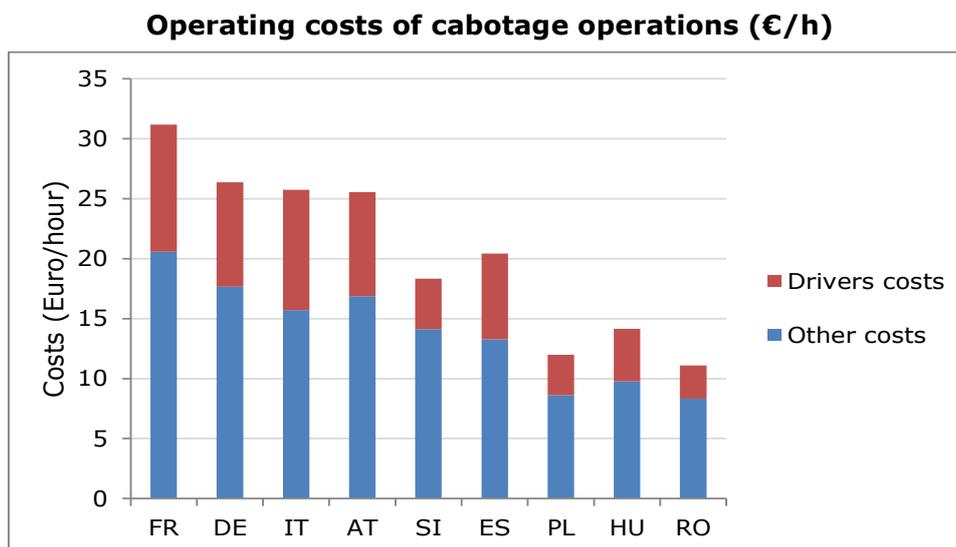
Source: SDG analysis of Eurostat (2012).

As can be seen from this figure, Poland has taken a leading role in cabotage operations accounting for 18% of all cabotage figures. Chapter 4 of this study sets out the full market review and provides more details on cabotage activities across the EU.

SOCIO-ECONOMIC IMPACTS OF CABOTAGE

The evolution of cabotage has had differing social and economic effects on different Member States. One aspect has remained constant for all Member States, the recession that had an impact on all road freight transport as shown in the data provided in Chapter 4. While road freight transport volumes have not yet recovered from the economic crisis that started in 2008, two main trends have been identified. Firstly, companies from EU15 MSs have intensified the practice of flagging-out to exploit the favourable labour cost differences and regain competitiveness. Secondly, companies from EU12 MSs have made greater use of cabotage opportunities offering cheaper alternatives to European consignees looking to reduce their costs.

The increased activity of EU12 hauliers in the recent years can be partially explained by the fact that they can offer lower prices thanks to the lower labour costs in comparison to most EU15 MSs. This cost advantage is attributable to different wage levels (that over the long term should level out), but also to different social protection systems that impose different labour costs on firms from new and old MSs. This is best illustrated in the figure below.



Source: SDG elaboration on HLG Report (2012) and Centro Studi Sistemi di Trasporto (2008).

In the long term, increasing salaries in EU12 Member States and stagnant salaries in EU15 Member States could lead to a convergence of labour costs although opinions are divided on this issue as set out in Chapter 5. Although labour costs are also affected by other legislation, in particular social security provisions within Member States that can have a significant impact on costs. Some Member States (Austria and France) have introduced provision to limit unfair competition from different social security provisions.

Some cases of full liberalisation of cabotage already exist within the EU. The Benelux region represents an example of successful market opening in the presence of a harmonised socio-economic environment. National governments have repeatedly prolonged this agreement given its efficiency benefits, which include higher revenues per truck, greater economic integration of national businesses and a reduction in empty runs although set on the backdrop of three countries with a similar level of economic activity. Nevertheless Belgium - along with France, Italy, Austria and Denmark - is reluctant to adopt further liberalisation of cabotage in the EU, at least until "serious market irregularities" leading to social dumping are addressed. The five states expressed their view through a joint statement at the Transport Council, held in Brussels on 11 March.

Economic efficiency is in turn linked to environmental efficiency. Reducing empty running (which across the EU is equivalent to about 22% of all vehicle-km) would have a knock on effect on CO₂ emissions. National governments need to be sure however that any increase in economic activity and cabotage operations does not have downward impact on road safety which is an area of concern that has been put forward by a number of stakeholders during this study.

From the analysis undertaken it seems that the need for further market opening is driven by: the need to reduce empty runs and the overarching goal of creating a European Single Transport Area where road hauliers from different MSs are free to get access to the transport profession in different countries as well as to undertake transport operations across the EU. Any review of existing cabotage rules would benefit from the introduction of a distinction between the two goals mentioned above. This would help to identify the amendments that should be made to current legislative provisions.

CONCLUSIONS AND RECOMMENDATIONS

The study shows that between the two main drivers for liberalisation - i.e. amendment of existing rules to increase clarity and EU enlargement - the latter has been the one that has led to more changes in the structure of the cabotage market.

The study indicates areas where the framework conditions for cabotage operations vary across MSs, thus challenging the smooth functioning of this market. For example, the extent to which clients of road haulage operations are co-responsible for potential infringements by cabotage operators or the insurance requirements imposed on vehicles circulating on the national networks. Both of these areas are interpreted differently in different MSs and a harmonisation of these issues would benefit the market as a whole.

The presence of such heterogeneous conditions across the EU has had different socio-economic effects in different countries. The analysis in this study shows that, overall, cabotage has put downward pressure on transport costs in several EU15 MSs and has created new business opportunities for EU12 hauliers. This has however been counterbalanced by the reduced profitability of EU15 operators, safety concerns and the potential of driver shortages going forward. All these factors are likely to amplify in the short term with further market opening unless the liberalisation is carried out in a gradual manner and it is accompanied by stronger enforcement regimes at a national level.

In light of future liberalisation of the sector it would be useful to clarify the goals behind market opening of the road haulage market. As mentioned above, the study indicates two main factors driving the debate on further liberalisation: the need to reduce empty running and the creation of a European Single Transport Area. It is the view of the authors of this Report that these two factors need to be addressed separately to ensure that the overall goal of increasing the efficiency of the road transport market is achieved. The proposal put forward by the HLG that distinguishes between linked and non linked cabotage operations goes in this direction.

To ensure efficiency and reduce empty running a different approach to the "3 in 7" rule could be considered through the removal of the maximum number of cabotage operations (3) allowed in 7 days and/or a revision of the provision that requires the full unloading of international carriage before a cabotage operation.

At the same time enforcement could be facilitated by linking cabotage to border crossing rather than unloading as well as introducing other complementary provisions such as those set out in Chapter 6 of the study. In particular, greater cooperation and exchange of information between national and international bodies could improve enforcement.

As for the goal of achieving a fully integrated European Transport Area, a detailed Impact Assessment of the socio-economic effects of different options should be carried out. This is necessary because of the great imbalances that still exist between different framework conditions (in particular labour aspects) in different MSs. In addition to the enforcement aspects, a decision needs to be taken on further harmonisation of cabotage labour laws and on co-responsibility of clients before full opening of the market is implemented.