Council of Ministers

SOCIAL DUMPING IN THE ECMT AREA

The Road Freight Haulage case

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Introduction

According to a report by the Dutch traffic inspectorate (Rijksverkeersinspectie) on the use of cheap drivers from the CEECs, half of the thirty companies inspected were violating national law. As a result of these practices, transport prices had fallen by up to 30 per cent. The Dutch Hauliers’ Federation (TLN) has admitted to the press (Verkehrsrundschau 11/2000) that between ten to twenty Dutch carriers in the Netherlands employed drivers from Eastern Europe to drive vehicles registered in the Netherlands.

Similar stories were carried by the national press of several European countries and attracted the attention of their governments to this problem. The Commission responded by putting forward a proposal (OJ/EEC/C096E of 27/03/01) -- backed up by a report by the European Parliament (TRAN 501 EN) on social dumping -- aimed at introducing a driver attestation which would ensure that the driver was legally employed in accordance with the regulations in force within the EU Member State where the transport operator was registered.

The ECMT, in view of the fact that its membership includes virtually all European countries, is the ideal forum in which to examine the issue of social dumping. It should be said from the outset, however, that unfortunately there are very few statistics available which would help us to gauge the scale of the problem. We can, however, define the issue, examine in detail a number of examples and consider possible responses, which is what the first part of this report sets out to do. We can then take a brief look at what economic theory can teach us about international movements of factors of production (labour and capital) and their relocation to other countries, as well as the links between economic development and social progress. This is the area examined in the second part of the report, which will briefly consider, in conclusion, the constraints of the future single market on the European social model. The report concludes with a tentative outline of a possible ECMT social policy for transport.

1. Social dumping in the transport sector

1.1 Definition

Social dumping may be defined as the deliberate infringement, circumvention or erosion of applicable social legislation in force -- at either the national, Community or international level -- in order to procure an advantage, notably a competitive advantage (Gaëtan Gorce).

While this definition does not strictly correspond to the letter of the GATT definition, it does correspond to its spirit. If it is unfair to introduce products of one country into the commerce of another country at less than the normal value of the products (GATT definition), it is equally as unfair, in social terms, to seek to lower the price of market products with complete disregard for the social legislation in force.

1.2 Impact on transport

The specialised trade press has echoed the concerns of certain carriers who are reportedly losing markets because of their inability to match the prices offered by other carriers.
With the creation of the Single Market and the introduction of cabotage rights it is now possible to supply transport services within the EU from any establishment created in a host country which offers favourable economic conditions, the main consideration in this respect being the wage costs represented by salaries and social contributions.

The total hourly cost of labour (in the industry in general) in the EU, for example, varies between an index value of 70 to 120. Account should nonetheless be taken of differences in productivity, which in the industry tend to smooth out cost differentials although without cancelling them out altogether. An analysis of the transport sector dating from 1997 appears to show that labour costs, including welfare costs and other mandatory contributions, varied within the EU by a factor of two depending on the countries concerned. However, it is difficult to make comparisons and these figures should be viewed cautiously.

These differences in terms of wage costs in the transport sector would appear to explain why firms move their operations abroad to countries where conditions are more favourable. One example frequently cited is that of UK firms moving to the Netherlands. Unfortunately, we do not have figures or survey data to provide an idea of the scale of this trend, although some estimates have put the number of UK firms to have relocated in this way at 1-2%. Furthermore, the reason for such relocation probably has more to do with fiscal dumping than social dumping. For example, by moving their vehicle fleet abroad, carriers from some countries can substantially reduce the amount of tax payable on their vehicles. However, such practices contravene the ban on the transborder hiring of vehicles introduced by the European Union (Commercial Motor, 28 October 1999) and are therefore unlikely to become widespread.

The same cannot be said of the practices of certain carriers who have been widely reported in the press for their use of drivers from the CEECs or the CIS to drive vehicles registered in an EU Member State for carriage within the EU or for shipments covered by an ECMT licence.

1.3 The Willy Betz phenomenon

1.3.1 Illustration

The German carrier Willy Betz (with head offices in Reutlingen, Baden-Wurtemburg, 7 000 employees and a turnover of 0.7 billion Euros) recently hit the headlines of the trade press for employing drivers from Eastern Europe to drive its vehicles. Willy Betz, which is specialised in international road haulage, has a large number of subsidiaries providing it with a total vehicle fleet of 4 500 vehicles. In 1997, Willy Betz completed its purchase of SOMAT -- the former Eastern bloc carrier based in Bulgaria -- and the latter's subsidiaries, which it had started to acquire in 1994. Capitalising on its links with Mercedes, whose vehicles it imports to Bulgaria, Willy Betz modernised its vehicles fleet but retained over 2 000 drivers from Bulgaria and other third countries in which SOMAT had subsidiaries. These are the drivers who are now to be found carrying goods either to or from at least one EU Member State.

A practical example of the type of "custom-built" haulage operation currently being used consists in a tractor registered in Austria, with Austrian ECMT licences and operating in France, coupled to a trailer registered in Italy, loaded with Spanish freight, driven by a Bulgarian or Kazakh driver speaking a Slav language and holding identification papers drafted in Cyrillic. It is impossible to verify the compliance of such an arrangement either in France or in any
country in which the vehicle is used, except in Austria in this example, which is precisely where such a "custom-built" type of operation would never be used because Austria is the sole country where it could be established that the driver was not employed by the Austrian subsidiary of Willy Betz. This type of "customised" operation can easily be used in other countries. The one point such configurations would all have in common is that they would all use an Eastern European driver working in a country other than the country where the vehicle was registered, under an ECMT licence or a certified copy of the EU licence issued by the country where it was actually registered.

1.3.2 Impacts

Because the system used by Willy Betz, and other carriers too, cannot be checked, it allows the company to employ Eastern European drivers on haulage routes where Willy Betz is in direct competition with EU carriers employing EU nationals as their drivers.

It would be fair to say that the economic impact in terms of lower wage costs is substantial. In the case of a 40-tonne rig, the share of the cost of the drivers in total operating costs amounts to over 27 per cent and, if expenses are included, almost 35 per cent, according to a survey by CNR in France. For the same turnover, the employment of a driver from Eastern Europe, if the latter is paid half as much as his EU counterpart, reduces the share of wage costs to around 14 per cent of operating costs. The drivers' expenses paid by Willy Betz would be paid in the currencies of the countries through which the vehicle crosses and therefore would be no lower than those paid by other carriers. The conclusion to be drawn from this is that the use of an Eastern European driver increases the profit margin on turnover by over 10 per cent! Such an increase considerably increases profitability or the ability to compete in terms of haulage prices, particularly in view of the fact that the profit margin for carriers who do not use such "custom-built" operating systems as Willy Betz amounts to no more than around 1 per cent (survey in France conducted by the Comité National Routier). Such carriers are therefore incapable of successfully resisting a price war.

To be precise, Willy Betz is not waging an all-out price war but is using its profitability to fuel growth. Moreover, it would be unfair to Willy Betz not to mention the fact that the company uses a satellite tracking system (Euteltracs) installed at its Reutlingen centre to monitor the movements of over 2 000 of the vehicles in its fleet. This system allows the company to optimise the assignment of vehicles according to the haulage opportunities that may arise, thereby minimising the number of empty legs or partial loads. This operating system also generates substantial productivity gains.

The use of Eastern European drivers through such singular manipulation of the regulations may be extremely tempting to many carriers more concerned about increasing their profit margins or meeting the threat of competition than promoting an ethical approach to economic relations. In one sense, the practice merits being used on a wide basis since the only carriers who would be disadvantaged would be those whose domestic operating bases are too small to consider developing the use of "custom-built" haulage operations. The same applies to those drivers from EU Member States who would lose out in the competition with drivers from Eastern European countries.
1.3.3 Infringements to regulations

The approach adopted by Willy Betz and other carriers consists in making surplus vehicles, together with the appropriate permits, available to, say, its Bulgarian subsidiary. These vehicles are surplus in the sense that very few drivers who are nationals of the countries in which Willy Betz has subsidiaries within the European Union are available to driver them. The vehicle will be driven or used for haulage operations outside the country in which it has been registered, but will nonetheless be chartered by its home establishment -- all of this operation being managed from head offices of Willy Betz in Reutlingen.

Careful scrutiny of this arrangement reveals that it violates regulations. The actual carrier ("haulier") is the Bulgarian subsidiary which supplies the drivers and which has access to the vehicles made available to it (it is not a rental arrangement because in most cases there is no recognised leasing agreement between Bulgaria and an EU Member State, simply permission to use a vehicle). It is therefore the Bulgarian subsidiary which should provide the vehicle with an ECMT licence if required (even though this would mean that the de facto carrier, or at least the forwarder, is the head office in Reutlingen, given that that is where the orders come from!). The vehicle is nonetheless covered by a licence granted to the subsidiary of the country in which the vehicle is registered, which is contrary to the spirit of ECMT licences whereby hauliers are responsible for providing a licence for a haulage operation. The same is true for EU licences or bilateral permits.

The practice of Willy Betz is therefore to operate a large number of vehicles, and in consequence ECMT licences or certified copies of the EU licence, from its establishments in the EU, while employing very few drivers who are nationals of EU Member States. Surplus vehicles are made available to its subsidiaries in the CEECs or the CIS, together with the relevant licences. The subsidiaries in Eastern Europe provide drivers. The system is impossible to verify in that a French vehicle, for example, will never be operated in France with a Bulgarian driver. It will be used in other EU Member States where there are no means of verifying that the Bulgarian driver is not employed by the French subsidiary. The driver will present inspectors with papers which are apparently valid, apart from the fact that the French subsidiary given in this example is not the carrier and therefore the licence should not have been established in its name. This system, which simply masks appearances, can be used in any EU Member State or ECMT member country in which Willy Betz has subsidiaries.

1.4 Possible responses

1.4.1 A brief example of national responses

Aware of the damage that "custom-built" haulage systems can inflict on fair competition, some national administrations have taken action. France, Germany and Belgium are three of the countries which have decided to do so. France, for example, has introduced the following measures and has strongly encouraged its European partners to do likewise:

- The conditions for applying for ECMT licences have been modified as of 01/01/2000. From now on, the number of licences issued to a company must be related to the number of salaried drivers employed by the company making the application. In addition, the latter must be able to provide invoices and bills of lading corresponding to the haulage movements carried out under ECMT licences.
− Any third country driver of an EU-registered vehicle who is unable to prove his link to the company in whose name an EU licence has been issued will be detained for failure to produce a driver's attestation.
− The quota for bilateral permits with Bulgaria has been frozen (note that is was the purchase of the Bulgarian undertaking SOMAT that provided the basis for Willy Betz' expansion).
− Measures regarding the rental of vehicles covered by international permits must be confirmed.

Since then, Willy Betz France is known to have applied to the French administration for permission to hire a hundred or so Bulgarian drivers. In addition, it is worth noting from the example above that national criteria for the issuing of transport licences, and ECMT licences in particular, play a significant role in the regulation of dumping.

1.4.2 Reaction of the Commission of the European Communities

On 22 November 2000, the European Commission submitted a draft regulation (COM/2000/0751 final) on access to the market in the carriage of goods by road within the Community to and from the territory of a Member State or passing across the territory of one or more Member States. The aim of this proposal was the introduction of a uniform driver attestation.

In order to evaluate the scale of irregular employment of drivers and the problems of verifying compliance with which agents are confronted, in August 1999 the Commission carried out a survey of Member States. The results of this survey revealed that a growing number of illegally employed drivers, primarily from third countries, were being used to drive EU-registered vehicles engaged in haulage between EU Member States.

This practice was made possible by the fact that the legal status of a driver or drivers can only be properly verified (as commented above with regard to Willy Betz) in the Member State in which the carrier is established and the vehicle registered.

In addition to distorting competition between road haulage firms (if not between modes of transport), it can also be shown that the working conditions of illegally employed drivers often leave much to be desired (and yet this would not seem to be the case for Willy Betz except in the case of the many multiple and polyvalent driver crews which are divided up and re-assembled at borders and which are extremely difficult, if not impossible, to check) and accordingly may be a cause for concern in terms of road safety.

As noted in the above mentioned report by the Commission, most Member States are favourable to a Community-wide solution consisting of a simple but effective means of verification such as a driver attestation. International road haulage shipments within the EU are subject to an EU licence. The change envisaged in the 1992 regulation would require the driver of the vehicle used for international road haulage to have a driver attestation in addition to the EU licence (the EU licence alone would be sufficient if the owner of the lorry is also the driver, as the case of self-employed carriers operating their own vehicle).

The driver attestation would simply certify compliance with the legal and regulatory requirements of a Member State with regard to drivers' working conditions, leaving Member States to a large extent to set the conditions of application.
Under the co-decision procedure, the Commission’s proposal was forwarded to the European Parliament and the Council. The European Parliament handed down an opinion at the first reading and adopted seven amendments, one of which, taken up by the Commission in its amended proposal, limits the scope of the regulation to third country nationals for the first two years, but makes it applicable to drivers who are non-EU nationals as soon as it enters into force. Because of the excessive administrative burden involved in introducing the attestation, the Council, in its common position adopted in October 2001, has limited the scope of the regulation exclusively to third country nationals. These institutions are currently consulting with each other in order to reach a compromise between their various positions, which do not differ greatly.

1.5 Preliminary conclusions

The latest Commission proposals, as amended by the European Parliament, would seem to guarantee that the illegal employment of labour would no longer be possible. Nonetheless, management and labour, while welcoming the proposals, qualified their response in that, in certain EU Member States which had no collective bargaining agreement applicable to the transport sector with provisions regarding salaries, it would still be possible to employ drivers from the CEECS or the CIS at wages well below those of their Western counterparts. Carriers could simply relocate en masse and thereby completely undermine the system. This was the risk posed by the proposals. In addition, what would happen with the enlargement of the EU is the principle of the free movement of labour were to be recognised?

It might perhaps be timely to look at the lessons of economic theory when countries open their border and start to trade without barriers, and particularly when labour and capital are allowed to move freely.

2. Social dumping from an analytical standpoint

2.1 Technical progress and division of labour

2.1.1 Theoretical overview

The benefits of the international division of labour was already a subject of interest to the very first practitioners of economic theory. We shall not review the development of economic analysis here, which has considerably refined both its language and arguments over time, but will content ourselves with presenting its conclusions:

− It is in the interest of each country to specialise in the production of goods and services with regard to which it has a comparative advantage.
− Through the specialisation of countries and trade in goods and services, rich countries become richer and poor countries become less poor.
− Trade benefits all consumers in that if each country is specialised in producing goods and services in areas where it has a comparative advantage, the production of all goods and services becomes cheaper, thereby generating gains for consumers.
− The gains to consumers are commensurate with the degree to which the division of labour increases the volume of production of each specialised industry. The outcome is economies of scale which are a factor in the lowering of prices.
There are losers in the division of labour. These are the employees in industries whose goods or services have been transferred to another country. It is by no means certain that the lower prices resulting from the international division of labour will compensate for losses of income, particularly if no sufficient compensatory mechanism in the form of unemployment benefit is put in place to assist them.

When a country that is particularly well endowed in highly productive factors trades with a country that is less well endowed, the wage inequalities within the rich country increase whereas those in the poor country decline as a result of that trade.

The conclusion to be drawn from the above comments is that international trade benefits all consumers but, on the other hand, also has a direct impact on the labour employed by industries that relocate, resulting in income disparities in the rich countries.

The above comments related to the case of a country specialising in the production of certain goods and services, with regard to which that country was particularly productive, which chooses to abandon to another country the production of goods and services regarding which the other country has a comparative advantage. Their relevance to road haulage operations in Europe remains limited, other than a suggestion that each country specialise in the supply of certain transport services, for it is indeed possible that Western European firms might specialise in the “organisation” of transport, while Eastern European countries would confine themselves to haulage. Such a possibility is only partly feasible in that the production and consumption of transport services are simultaneous: transport is therefore unlikely to be produced in one country for export to another. In contrast, the mobility of factors of production, such as the employment of drivers from third countries, would be feasible.

2.1.2 Factor mobility

What can international trade theory teach us about the mobility of factors of production?

What matters to employees is not the income they can derive from their country’s specialisation in a given form of production, but the difference between their current income and the one they would earn by relocating abroad.

International trade would never allow wage-earners from poor areas to earn as much in those regions as they would were they to leave to work in a better endowed country.

It is the mobility of factors of production (capital and labour) rather than that of goods that will allow capital owners in rich countries and workers in less developed countries to become winners, whereas owners of capital in poor countries and workers in rich countries will be losers, unless they can acquire goods and services at a lower price than in the hypothesis of savings without factor mobility.

As in the above example, inequalities in the rich country will increase whereas those in the less well endowed country will decline.

The conclusion that can be drawn from the above is that when mobility of labour and of capital is feasible, powerful factors assist such mobility, and that, furthermore, workers in rich countries progressively lose out as the inequalities in those countries increase.

To return to transport, it is clear that if capital and labour are allowed to flow freely between countries at very different stages of development, the owners of capital (firms) in the rich countries will gain but at the same time their employees will lose out, whereas firms in the
less-favoured countries will lose out while employees of those countries make gains. Despite all of this, it remains possible, in the hypothesis of a total integration, that the outcome will nonetheless be positive in that transport services would be cheaper, which would therefore be of benefit to all parties.

The above consideration argue in favour of a careful opening-up of economies at highly different levels of development, while recognising that, in the final analysis, all countries can gain access through such liberalisation to greater economic prosperity. It is possible, indeed certain, that all parties can realise gains through trade or the mobility of factors, but not all owners of capital or workers will benefit from the latter everywhere. The issues that need to be resolved in practical terms are those of the labour in industries in rich countries that choose to relocate, and the competitiveness of firms in less developed countries. For the transport sector in the ECMT area, this means that drivers from EU Member States and road hauliers in the CEECs and CIS would ultimately lose out, even if all countries would nonetheless benefit through a cheaper supply of transport services. The conclusion can also be drawn that in the event of the integration of European countries, provision would need to be made for labour conversion programmes, particularly for EU drivers. It should nonetheless be said that the problem would not be as severe as might generally be thought in view of the shortage of drivers in most Western European countries and given that ultimately living standards in different countries will become closer as a result of the exchange of factors of production and freedom of trade.

2.2 Social progress and economic development

Is social progress opposed to economic development? Some schools of thought hold that it is economic progress which provides the funding for social progress. In the context of a market economy, however, such an analysis does not entirely hold water:

− In areas where labour is unskilled, that is to say where compulsory education is short and where there are few opportunities for further training in the course of a worker's career, there is no scope for economic progress because employers will be unable to find people capable of working in highly skilled posts, which will irremediably reduce firms' productivity and technological progress.
− It is wage increases, provided that they do not exceed the productivity gains of firms, which will fuel increased demand on firms' output and thereby promote growth. However, wage increases which outpace productivity gains lead to inflation. In this respect, there is therefore very little room for manoeuvre.
− Where wage-earners do not have sufficient social protection a climate of insecurity will arise that is not conducive to expansion of the level of consumption and thus production.
− In order to be motivated, workers need to be offered acceptable working conditions. A good example of this is the profession of HGV driver, a profession that is shied away from by young people in the West due to its numerous constraints, in terms of quality of life, compared with working conditions in other sectors.

Economic progress is therefore impossible without social progress. Training and working conditions are also of paramount importance since a climate of security is also conducive to economic expansion. What role does social progress play in the construction of Europe?
2.3 Maastricht or the social variable of adjustment

EU social legislation still exhibits many shortcomings. Advances in such legislation have allowed the EU to establish a body of minimum regulations solely in the following areas: free movement of workers, co-ordination of social security regimes, equality of wages and employment opportunities for men and women, workers’ rights with regard to dismissal, flexible working hours and fixed-term or part-time working. These measures have also been accompanied by greater co-operation between workers and management.

The sources of these shortcomings include the rule on unanimity, which is already very difficult to implement and which the enlargement of the EU will make even more so. In cases where the qualified majority rule applies, the EU continually opts for “minimum requirements for gradual implementation”.

In view of the above, the budgetary and monetary constraints arising from the Maastricht treaty may well prompt the use of wages and social protection policy as a variable with which to adjust economic policy. With the advent of the Euro, European States no longer have control over their monetary or budgetary policy, since the former is dictated by the European Central Bank and the latter by the requirement that governments restrict their budget deficit to no more than 3 per cent of GDP.

The temptation to use social protection as a means of making macroeconomic adjustments -- since any possibility of devaluation with regard to a State’s European partners is now precluded -- will be extremely strong. Large disparities will emerge between States practising wage restraint and those with more liberal policies. The latter, as will countries where the costs of social protection are extremely high, will see their industrial fabric disintegrate and, as a result, their tax base decline. To avoid such an outcome, countries may well decide to reframe their social policy, a course of action that offers both advantages and disadvantages:

- The advantages would derive from a review of social policy aimed at ensuring the same level of protection at a lower economic and budgetary cost, namely streamlining;
- The deflationary disadvantages lie in a prospective rush to the lowest bidder, that is to say the short-term benefits to the country with the least degree of social protection and thus lowest costs.

The probable outcome lies somewhere between these two extremes. Governments will probably be forced to rationalise their social protection regimes, and it will be necessary to propose the introduction of a system that is comparable from one country to another, or more precisely a social regime with many points in common, in order to avoid initiating a deflationary spiral. This is only possible at the European level.

In such a scenario each sector of economic activity, which would therefore include transport, would be made subject to a common set of rules applicable to all Member States. Such rules would constitute a basic European building block for each sector. Let us consider the form such rules might take for the transport sector.
3. **A social model for transport in the ECMT area?**

In what directions should social harmonisation be pursued in the European transport sector?

The areas for such harmonisation are those that will guarantee economic growth, namely: worker training, increased purchasing power in line with the productivity of firms, and working conditions that are no more unpleasant than those in other sectors.

### 3.1 Training

The first objective of training is to ensure that qualified personnel are available to fill the posts offered by firms. Training in the transport sector must therefore address the technical and regulatory aspects of transport: the highway code, transport of hazardous materials, technical requirements, social regulations, national and European legislation, transportation law, etc. Training must also aim to prepare for future employment needs and to provide wage-earners with the opportunity for social advancement. There are several reasons for this. The transport sector is evolving and moving increasingly towards the supply of sophisticated logistical services. It is therefore important that workers receive training that will allow them to adapt to these changes, changes which also offer an opportunity to drivers once they reach a certain age. It is difficult to remain a driver throughout an entire working career. Advanced and continuous training would make it possible to requalify the profession of driver, which would open the door to higher salaries over the long term and thereby encourage young people to enter the profession. Employees would also be better able to limit the impact of competition from drivers from other countries in that it would be easier for them to move to other types of job. Any form of qualification automatically facilitates conversion.

### 3.2 Pay

Whichever form of liberalisation governments opt for, firms and employees in ECMT Member countries where living standards are highest (EU) will have to accept competition from firms and drivers from less developed countries (CEECs or CIS). The driver attestation that the Commission and the European Parliament are planning to introduce, by virtue of the co-decision, will allow a driver who is a national of one of the CEECs or the CIS to work legally in an EU Member State. It would be in the general interest of all countries to ensure that these drivers are paid the same salaries as their counterparts in EU Member States. There is currently a shortage of qualified drivers in the road haulage sector. Why would anybody want to work in a sector in which salaries are constantly being forced down as a result of imported foreign labour that is less demanding over pay? As we have already seen in the section of this report devoted to theory and the analysis of the international division of labour and factor mobility, the losers in the event of the opening of borders are poorly skilled employees in rich countries who find themselves in competition with fresh labour resources. The haulage sector would be devastated if salaries were to decline, hence the importance of all aspects of a collective bargaining agreement applicable to transport.

Another potential consequence of lower salaries would be a decline in road haulage prices. It should be noted, however, that the deregulation of the road haulage sector has resulted in a continual decline in transport prices in relative, and sometimes absolute, terms. While this has enhanced the competitiveness of the European economy, at the same time it has fuelled
growth in the road haulage sector. How can the other modes, which are grappling with internal factors of rigidity, react to this growth? It is by no means certain that European transport policy, particularly with regard to the promotion of intermodality, has been assisted by this continual decline in road haulage prices, even though a change in that direction was necessary.

3.3 Working conditions

The first issue that springs to mind with regard to working conditions is that of the regulations relating to working times. In this respect, there is cause for satisfaction in the fact that almost all ECMT member countries are signatories to the European Agreement concerning the work of Crews of Vehicles engaged in International Road Transport (AETR), whose minimum social provisions regarding driving and rest times have been harmonised with the matching EU legislation, established in Council Regulation (EEC) No. 3820/85 of 20 December 1985 on the harmonization of certain social legislation relating to road transport. The Commission is shortly due to publish its proposed amendments to this Regulation, which in particular include longer daily rest times for drivers that will end the previous arrangements whereby rest periods could be broken into 15-minute units. This amendment must be closely monitored to ensure that all measures that improve the working conditions of drivers are promoted. In addition to the gains in terms of road safety, improved working conditions increases the attractiveness of the profession of HGV driver which, at matters stand at present, no longer has the "cachet" it once used to have -- which is one reason why there is currently a shortage of drivers. Steps must no doubt be taken to upgrade the image of the profession, such as the initiative of the IRU, which created the “IRU Academy”, which can be used as a model for further thought and action in this regard.

By the same token, ECMT member countries must "ensure that their national legislation specifies that … the average working week of such drivers does not exceed a weekly average of 48 hours in a reference period of four months, this restriction will not apply, initially to independent drivers" (ECMT Resolution No. 2001/2 on social aspects of road transport).

Regulations only make sense if they are enforced and, to ensure that they are, the compliance of operators must therefore be verified. The above-mentioned ECMT Resolution recommends member countries to "ensure the implementation and effective verification or rules on driving times and rest periods, as set out in the AETR or equivalent regulations, with regard to drivers engaged in international road haulage activities". It might be advisable, perhaps, to propose that a minimum volume of haulage activities be inspected within ECMT member countries and to harmonise the sanctions applicable to cases of multiple and repeated offences. In addition, with regard to inspection, the development of the digital tachograph will completely change matters by heralding a qualitative change in inspection procedures, which in future will be both more precise and easier to carry out. It would therefore be worthwhile initiating a discussion of its impact on the ECMT area.

Working times must also meet with minimum agreement regarding the verification of compliance, or should at least give rise to a timetable for its introduction within the national areas covered by the ECMT.

4. Conclusions: what model for transport?

A brief foray into economic theory, or more precisely the lessons to be learnt from economic theory, has shown that while the net outcome of the free circulation of factors of
production (labour and capital) is positive, there will nonetheless be losers. These are the employees in rich countries whose firms relocate abroad and the firms in poorer countries which must confront new competition from firms that are better endowed with capital.

We must not lose sight of the fact that the net result is nonetheless positive, however, and this should encourage the public authorities to work intensively on the procedures for liberalising markets, particularly within the ECMT area.

At the same time, the European Union has constructed the single market and single currency, thereby depriving national governments of the traditional instruments for macroeconomic regulation (exchange rates, interest rates and budget deficits). It would seem inevitable that social policy would come under pressure as a result. This is an opportunity that must be grasped to define a European social model that does not rebuff the aspirations of the population but that at the same time is less expensive. It is a concern which will affect all sectors of economic life and which must nonetheless accommodate disparities between individual countries. Any such disparities must, however, be smaller than they are at present.

It must also be borne in mind that economic progress and social progress are tightly interwoven and that there can be no economic progress without a minimum degree of social advances.

It would therefore be pertinent within the ECMT area to define the contents of a social model applicable to transport. It should be made clear from the outset, however, that such a model does not imply a need for a vast array of measures. It would be based on those areas where the ECMT has set out major benchmarks: regulation and verification of driving times, definition and harmonisation of working times or the linking of increases in the multilateral quota to compliance with social regulations (note that such regulations also have an impact on safety). To these might also be added the need for minimum training of staff and the need to comply with the rules in the host country, notably with regard to salaries and working conditions, for migrant labour. Hence the interest, in the latter respect, of the uniform driver attestation envisaged by the Commission.

The most important task is to liberalise the road haulage sector by changing its very characteristics. Problems with liberalisation will disappear once firms uniformly comply with regulations, employ qualified (i.e. because they have been trained) employees whose working conditions have been standardised, and once firms are subject to comparable criteria regarding market access, which is the approach to which the ECMT has committed itself.

References

