

Cabotage Within Finnish Trucking Industry

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<p>This thesis investigates the impact of cabotage within road transportation in Finland and also the possibilities of combined international transport on Finnish roads. Cabotage is defined as the national carriage of goods for hire or reward carried out by non-resident hauliers on a temporary basis.</p> <p>In order to be able to reach the goal of the study, the meaning of cabotage is defined from the legal perspective. Based on Porter's Five Forces analysis the competition part of road-transport sector in Finland is analysed and findings explained. Finally, the research discusses how regulations and requirements for multimodal transport should be met in the context of European Union.</p> <p>This thesis provides the analysis of the case-company's operations (Madmar Transport) and describes the current market situation as well as points out the importance of knowing of all the aspects of the law.</p> <p>This study is based on the analysis of the primary material of interviews with the actors in the industry – companies' chief executive managers, officials representing Finnish Customs and legal councils.</p> <p>As a conclusion, difference between traditional cabotage and combined international transport is explained. There are traditional cabotage carriages and there are combined transport carriages, that require certain conditions to be fulfilled to qualify.</p> <p>Traditional cabotage haulage has quantity and time limitation, legal cabotage under the law combined transport has no quantity limitations but has strict distance limitations and requires specific documentation.</p>	
Keywords Cabotage, Finnish trucking industry, combined transport	

Table of contents

List of tables	5
List of graphs	5
List of figures	5
1 Introduction	6
1.1 Background	6
1.2 Research Question.....	7
1.3 Demarkation	8
1.4 International Aspect.....	9
1.5 Anticipated Benefits.....	9
1.6 Key Concepts	9
1.7 Case Company.....	10
2 Theoretical framework	12
2.1 Risk Analysis	12
2.2 Porter's five forces analysis.....	12
3 Market analysis	14
3.1 International transport in Finland	17
3.2 Road transportation in Finland	19
3.3 Legal requirements.....	20
4 Research Methods.....	22
4.1 Interview framework	24
4.2 Interview findings and analysis.....	25
5 The law on Cabotage within Transport Sector.....	26
5.1 Legislation on Cabotage within Transport Sector in EU	26
5.2 Legislation on Cabotage in Finland	27
5.3 Legislation on cabotage and practice: problems of implementation and interpretation.....	28
5.4 Multimodal transport.....	29
6 Conclusions	31
References	33

Annexes

Annex 1: Interview Questionnaire

List of tables

Table 1 Overlay matrix	8
----------------------------------	---

List of graphs

Graph 1 Cabotage within the EU	14
Graph 2 Finnish export modes of transport	17
Graph 3 Finnish import modes of transport	18
Graph 4 Annual volume of goods transported by lorries	20

List of figures

Figure 1 Research methods	24
-------------------------------------	----

1 Introduction

This thesis investigates the impact of cabotage in the national transportation industry within Finland, the current situation and the trends towards the future. There is a market analysis, description of the most common cabotage-situations and statistics.

This thesis is researching the basis for cabotage and the outcome of it, based on an international trucking company Madmar Transport. In addition, a specific multimodal transport is explained and described.

Cabotage, meaning the national carriage of goods for hire or reward carried out by non-resident hauliers on a temporary basis in a host Member State, is governed by Regulation (EC) 1072/2009 as of 14 May 2010. (Cabotage, 2009).

1.1 Background

The author of this research is working for a transport company Madmar Transport. In everyday work, there have been several situations, when legal aspects of an international transport need to be known to operate effectively.

Knowing the law and local requirements on the matter is crucial to be able to offer smooth and reliable service to the cooperation partners. Competition nowadays is tight and the margins in business are low. It is of utmost importance to find your own specific set of skills and area of work. In the transport industry, reliable on-time service is expected 100% of the time, no exceptions.

To offer cost-effectively such a high level service, it is important to have all the information in the market.

Cabotage and combined transport of goods are regulated in specific laws by the European Parliament, that give an opportunity for non-locals to operate locally in a member state with their foreign trucks. There are a number of requirements for these cases and this is the reason the law needs to be known.

Knowing the law about cabotage and multimodal transport is very important for the case company since it sets the boundaries of what is allowed and what is not.

(Kollak, M. 1. 9.2018)

1.2 Research Question

Research will be about the impact of cabotage in Finland and the interpretation of the law. Interviews conducted during the research show clearly the knowledge of trucking companies about the subject and the attitude towards non-locals on the roads.

There are interviews with a Finnish trucking company representative, an Estonian company and Finnish Customs representative. In addition, some explanatory notes are used from the law office in Finland.

This research aims to show the impact of cabotage and explain its positive and negative effect.

Within research the development was categorized as follows:

- Finnish import and export transportation
- Road transport in Finland
- Cabotage carriages within Finland

In Finland, different modes of transportation are in use. All the modes were analysed and their shares from the total global transport are pointed out. (Madmar Transport, 2018)

In many cases the modes are combined to get the best possible efficiency and avoid delays for one transport unit.

At the end the importance and reliability of the research are explained and the results compared. The interviews were recorded and stored according to permission of the participants.

Research was conducted in fall 2018, winter and spring of 2019.

The main Research Question (RQ): What is the impact of cabotage within road transportation in Finland?

More specifically the investigative questions:

Investigative Question (IQ) 1. In terms of a law, what qualifies as cabotage within road-transportation?

Investigative Question (IQ) 2. What is the current market situation within trucking industry in Finland?

Investigative Question (IQ) 3. What is multimodal transport?

Investigative Question (IQ) 4. How to meet the requirements for multimodal transport in European Union?

The table below presents theoretical framework, research methods and results chapters for each investigative question.

Table 1. Overlay matrix

Investigative question	Theoretical Framework*	Research Methods	Results (chapter)
IQ 1. In terms of the law, what qualifies as cabotage within road-transportation?	The law. The law is explained in detail and the aim of the law.	Desktop research and interview with a representative of Finnish Customs (An authority controlling cabotage in Finland)	4
IQ 2. What is the current market situation within trucking industry in Finland?	Porters Five Forces analyse and current market situation described. Official statistics pointed out.	Desktop research and interviews with the representatives of case company Madmar Transport and Rooleks Transport.	5
IQ 3. What is multi-modal transport?	The law described. Criteria and requirements explained.	Desktop research and an interview with a legal counsel in Finland.	4
IQ 4. How to meet the requirements for multimodal transport in European Union?	The recognition of the law and legal limits.	Interviews with representatives from Finnish Customs and case company, Madmar Transport.	6

In the overlay matrix there are pointed out the theoretical framework and the research methods used to work with the investigative questions.

1.3 Demarkation

This Thesis focuses on cabotage within road transportation in Finland only. Research is observing foreign companies and foreign trucks operating on Finnish roads. Excluded from research are cabotage carriages transported by Finnish trucks within other EU Member States.

In terms of European trucks, 3rd country vehicles (such as Russian trucks) are excluded from this research since cabotage can legally be performed only by vehicles registered within EU. In other words, the subject of this research is foreign companies and trucks that conduct goods transportation in Finland. For example, these are the Estonian, Latvian or Polish transportation companies and trucks with corresponding register plates. In some cases, the trucks could have Finnish registration.

1.4 International Aspect

The topic fulfils the GLOBBA's requirement of an international aspect since the research in hand involves non-locals. There are foreigners working in Finland. The carriages discussed are to and from all over the world. Work in logistics and transportation industry is truly international.

In addition the author of this thesis is from Estonia.

On top of that, the case-company of this study represents an international working environment in many different aspects. The geography of the drivers' origin is truly international – there are drivers from Russia, Estonia, Ukraine, India. There is a clear international dimension of the operations of Madmar Transport. The company works in cooperation with and receives the transportation orders from Finnish companies as well as the companies registered, for example, in Estonia, Latvia, and Austria.

1.5 Anticipated Benefits

The benefit of this research is to point out very clearly to the management board of Madmar Transport what exactly is cabotage and what is not. In addition to traditional cabotage there is a law on combined transport of goods (EU Directive 92/106/ETY) between EU Member States. This research studies the requirements to meet the EU directive stated above and the useability of the directive. In addition, this research investigates the practice of how the law is implemented and should shed light on how authorities interpret the law. In other words, the research attempts to investigate both the requirements of the regulations and also how these requirements are followed in practice.

This research was not ordered by one of the case companies, but the findings are interesting to read to all people involved. Students learning the subject, logistics professionals working in the field or entrepreneurs thinking about expanding their business to another country. The research should provide some clarity on the practice of cabotage to the companies operating within cabotage. Students learning the subject, logistics professionals working in the field or entrepreneurs thinking about expanding their business to another country.

1.6 Key Concepts

Cabotage within road transportation is a situation when a foreign vehicle is transporting goods locally within another country. (Madmar Transport, 2018)

Cabotage means the national carriage of goods for hire or reward carried out by non-resident hauliers on a temporary basis in a host Member State. (Cabotage, 2009).

Multimodal transport is the transportation of goods under a single contract, but performed with at least two different modes of transport, for example, by rail, sea and road.

The carrier responsible for the entire carriage is referred to as a Multimodal Transport Operator, MTO. (Wikipedia, 2018)

This thesis aims to point out the benefits of multimodal transport and gives suggestions on how to operate within legal requirements.

1.7 Case Company

As a case-company the author has selected an international transportation company Madmar Transport.

Madmar Transport has offices in Finland and in Estonia. The company was established in May, 2016. With a running park of ten own vehicles and two subcontractors, there are twelve trucks in operation every day.

The trucks are operating mostly within Finland. Some of the vehicles are registered in Finland and some in Estonia.

In May 2016 the company started with 2 trucks transporting goods on route Finland – Hungary – Finland. The subcontracting work was done for global company Schenker Oy at that time.

Over past years the company has grown to a fleet of 12 vehicles operating in Finland, Baltics, Scandinavia and Russia. Core business of the company being transportation of Sea containers and semi-trailers within Finland.

Madmar Transport has a branch in Estonia, Madmar Services OÜ. Some operations of the company are carried out from an Estonian enterprise.

The turnover of the company in 2016 was approx. 190 000 EUR and in 2018 approximately 1 200 000 EUR. (Kollak, M. 1. 9.2018)

The company employs currently 14 people. (Madmar Services Oy annual report of 2018)

The need for such a research for a case company on the law of cabotage and multimodal transport, is to fully understand the key elements of cabotage and to learn how to benefit from those elements in order to save costs. During the operational years, there have been many cases when there have been long conversations with the employees of Finnish Customs. The main problem being different interpretation of the law. Usually after an agreement on the situation and explanation from the owner of the company over the phone, the carriage can continue. Such additional delays are extremely bad for the business since the deadlines in trucking industry are tight nowadays. (Kollak, M. 1. 9.2018)

Rooleks Transport is a trucking company in Estonia. Founded in 1998, it has operated between Finland and Estonia over 20 years now. With a running park of 8 trucks the company has a yearly turnover of 750 000 EUR. (Viks, S. 17.10.2018)

The company mostly transports import and export loads between Estonia and Finland. Some carriages within Finland locally. These are the cabotage transportations that are limited in quantity.

They are crucial for Rooleks Transport since quite often there is a distance of hundreds of kilometres in Finland from the place of unloading to the place of loading. To save costs and to offer its partners good cooperation, a foreign vehicle delivers goods within Finland.

At the end it is beneficial to the carrier and the client.

2 Theoretical framework

Within theoretical framework there is an analysis of the law on cabotage and different aspects of the law. There is also a risk analysis and interview framework (questionnaire) as interviews are the main source of information about the knowledge of this subject among trucking companies and the impact of cabotage to those companies.

2.1 Risk Analysis

There are risks in conducting such a research. It is crucial to understand the law correct and interpretation of the law specifically within Finland is very important. It is a common situation that one difficult law text is understood differently by different readers.

Since cabotage has direct impact on local companies, the information given, can sometimes be quite emotional.

It is important for the author to select key elements from interviews and make sure the quality of information is high.

There are no theoretical books around on the subject so it is a challenge to find a theory behind the actions.

2.2 Porter's five forces analysis

Porter's five forces analysis framework (Porter 2008) is used as a theoretical tool for the analysis of competition in transportation industry in Finland. The Porter's framework has proved to be a useful tool in the analysis of the haulage industry (e.g. Ericsson, Nordgren & Frick 2006 on road cabotage in the Swedish haulage industry).

According to the Five Forces framework, it is essential to analyse an industry not only in terms of direct competition but looking at the combination of the following five aspects:

1. Threats of Entry
2. The power of Suppliers
3. The power of Buyers
4. The threat of Substitutes
5. Rivalry among Competitors, (Porter 2008).

Threats of entry means that a company should consider an entrance of new players in the existing market. The possibility of competitors' entry may vary greatly in different industries. For example, industries that require significant investments are less prone to the entry of new competitors while little investment requiring industries can be relatively easily entered.

In terms of road cabotage, the existence of the law granting the right to operate in foreign countries makes the threat of entry of new competitors quite relevant.

The power of suppliers refers to the situation when “suppliers capture more of the value for themselves by charging higher prices” (Porter 2008, 29). In the road transportation industry, companies are heavily dependent on the supply of fossils and spare parts for trucks and trailers.

The power of buyers refers to the situation when buyers “can capture more value by forcing down prices, demanding better quality or more service (thereby driving up costs)” (Porter 2008, 30).

This is of particular relevance for the road transportation industry. While cabotage gives opportunities to benefit economically from the operation in foreign, perhaps more rich countries, it also provides buyers with the opportunity to purchase transportation from countries abroad and thus negotiate lower prices.

The threat of substitutes is the ability of a consumer to switch to different (better in quality or price) products or services while receiving the same functionality. Currently there seem to be no direct opportunities for substitution of services provided by the road transportation. The services provided by the four transportation modes in logistics are not overlapping. If so, only to some extent and in some cases may be considered as providing substitutes on transportation modes (Wisner, Tan & Leong 2012; Bloomberg, LeMay & Hanna 2002).

Rivalry among competitors can take many forms, for example, “price discounting, new product introductions, advertising campaigns, and service improvements” (Porter 2008, 32).

Similarly, to the aspect of the power of buyers, in road-transportation cabotage opens paths to new markets but also attracts many competitors from neighbouring EU countries.

This chapter deals with the analysis of the market of freight transportation. Particularly related to cabotage sector in Finland. Projects the results and implications of the analysis on the operations of the case-companies Madmar Transport and Rooleks Transport.

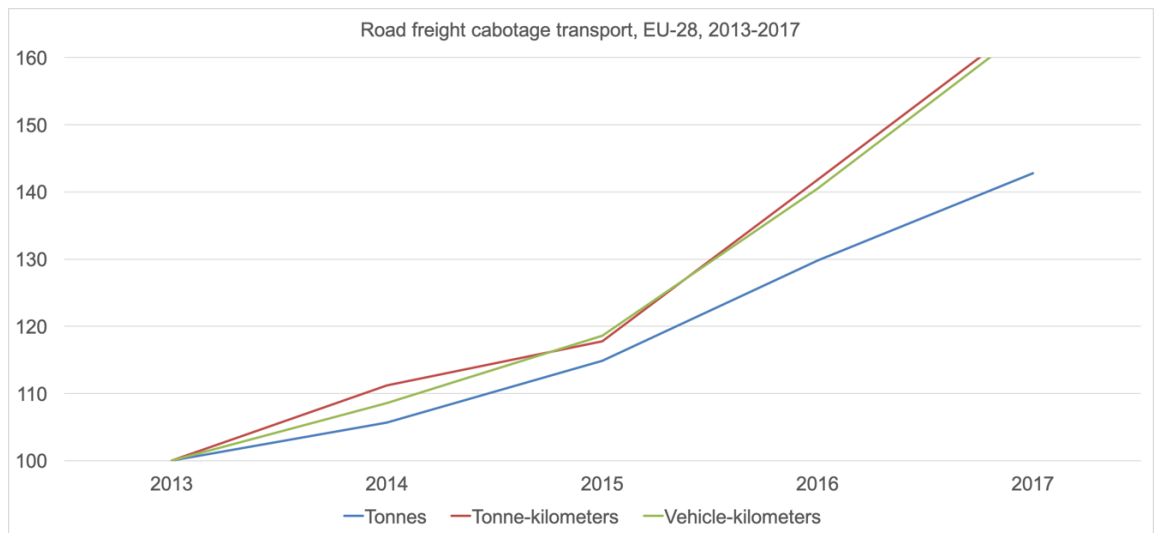
In general, in Finland, the level of cabotage transportations is extremely low when compared to Western European countries. In 2011, it was less than 1% of all carriages when in Belgium it was almost 9% of all carriages. (Lämsä 2017)

3 Market analysis

This chapter deals with the analysis of the market of freight transportation, particularly related to cabotage sector in Finland and projects the results and implications of the analysis on the operations of the case-company Madmar Transport.

In general in Finland, the level of cabotage transportations is extremely low when compared to Western European countries. In 2013 it was less than 1% of all carriages when in Belgium it was almost 9% of all carriages. (Lämsä 2017)

The graph below shows development of cabotage carriages in EU in recent years.



Graph 1. Cabotage within European Union, 2013 – 2017 (Road freight transport statistics cabotage, 2019)

The practice and empirical data is applied to the theoretical framework of Five Forces analysis discussed in chapter 2.2.

Threats of entry is one of the five essential characteristics influencing the market. By definition, the law granting the possibility to perform cabotage transportation makes the entry into the market significantly easier for foreign companies. If there were no cabotage possibility, transportation companies had to set their businesses in Finland. This means the need of quite large investments on the company registration, vehicles' registration, hiring staff with the knowledge of the local industry and its specificity, building connections, etc. While multimodal transportation makes Sea container transportation possible for Madmar Transport, it also brings competitor transport companies to the market.

The freight transportation industry is quite developed within the international dimension meaning that the English language and knowledge of the international law is enough to be able to perform operations in Finland.

Companies can hardly operate without the knowledge of the local language – Finnish. The practice of doing business and the knowledge of local legislation. Nevertheless, the market is saturated with the companies registered to neighboring countries, e.g. Estonia, and managed by the foreigners who are well aware of the legislation, business practices and possess the necessary knowledge due to cultural and geographical proximity.

Due to the ease of entry by means of cabotage, this factor can be considered as less relevant because the market is saturated. There is enough demand for transportation of goods to cover the supply of transportation companies.

Madmar Transport has always been able to utilize its capacity at the maximum. (Kollak, M. 1. 9.2018)

There is a certain degree of *the power of suppliers* in the goods transportation industry in Finland. In particular, the suppliers of spare parts for trucks, suppliers of fuel and maintenance service may cause additional expenses in the operations. These suppliers may increase prices of their offerings and this might have direct effect on transportation companies. However, this is not so relevant because, for example, the market of vehicle repair and maintenance is saturated and has its tough competition. If there were monopoly in one of the supply industries, this factor could have been more relevant, but now it is less relevant.

The level of *the power of buyers* is quite relevant for the transportation industry. This is of particular relevance for the road transportation industry because there are many companies in the market of very different size. There are smaller companies that can perhaps offer more flexible service. The bigger companies however can drive prices down.

While cabotage gives opportunities to benefit economically from the operation in foreign, perhaps more rich countries, it also provides buyers with the opportunity to purchase transportation from countries abroad and thus negotiate lower prices.

As it was stated above the *threat of substitutes* means the ability of a consumer to switch to different products or services while receiving the same functionality. This switch may be determined by better quality or better price of the products supplied.

There are hardly any substitute threats to the road transportation industry nowadays. Road transportation has its own niche in the market of goods transportation. This is because it has its own advantages over other modes of transportation. Goods that are transported by road usually cannot, or it is of no practical use, be transported by air because of the volume capacity or by sea because the sea transport, and also rail, cannot offer delivery to the end destination.

Rivalry among competitors is, together with the power of buyers, one of the most relevant factors for the road transportation industry.

In road-transportation cabotage provides companies with an opportunity to enter new markets but at the same time this opportunity can be used by many potential competitors. There is already a situation when the market has a lot of competition because there are many foreign companies that can operate in Finland within lesser margins and can offer better prices.

Usually operators from countries with lower economical level are trying to perform tasks in other markets where the prices are higher. For the locals this means less work and higher risks. Less work for Finnish trucking companies, since foreign trucks can transport goods within Finland for lower rates. This is possible due to technical conditions of the trucks, the salary rates of the drivers and other circumstances not controllable by Finnish authorities. Higher risks on Finnish roads due to technical condition of the foreign vehicles and know-how of the drivers. Finnish extreme winter conditions are a challenge in many cases for drivers from Southern European countries.

The market in Finland is attractive since the distances are long. Most of the cargo is transported on the roads. Within year 2018, there were 271 million tonnes of cargo transported. (Tilastokeskus, 2019)

That is about 3% less than the year before. This indicated the market is quite stable with some fluctuation.

Based on the discussions during interviews, a problem in Finland is the qualification of the people, controlling foreign trucks on Finnish roads. In many cases the people have not the latest information on the developments of the law and thus need training. Sometimes only after explanations of EU legislation and proof of paperwork to back it up, it is possible to continue with the load on the road.

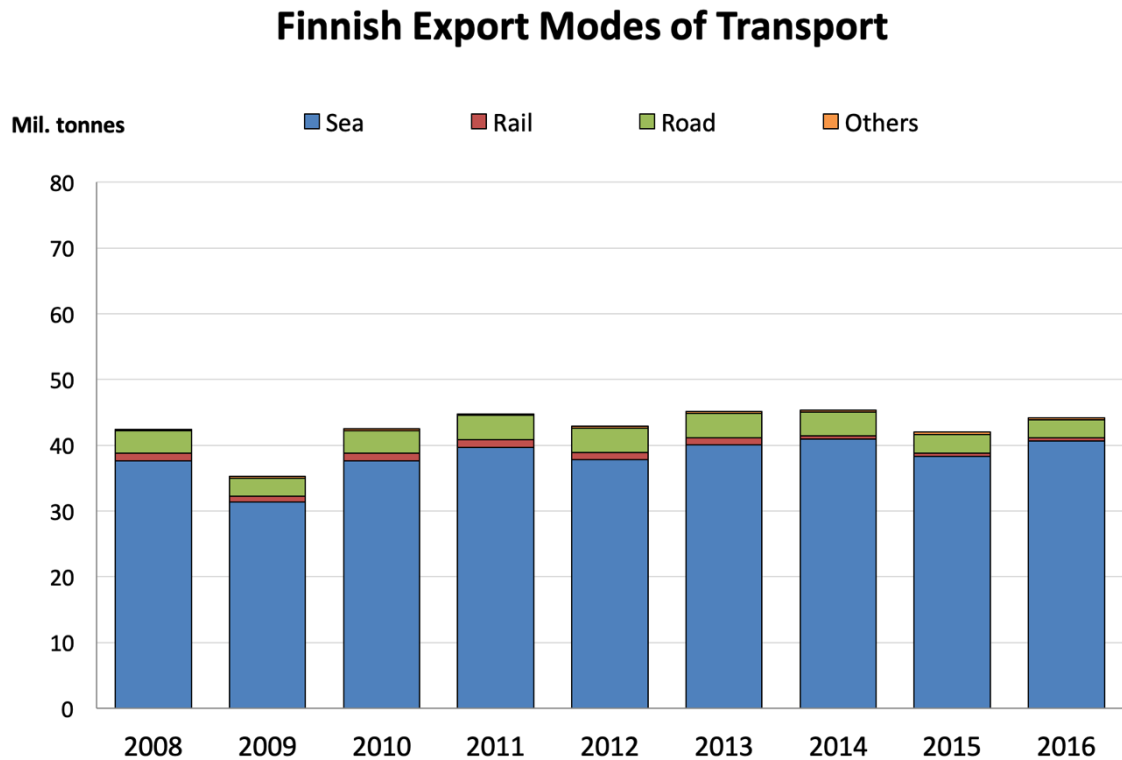
Another issue is the controllability of the situation. There are lots of trucks on the roads in Finland every day and it is impossible to control everyone every day. This leads to questionable trustworthiness of the statistics. (Lämsä 2017)

In control of cabotage carriages the responsibility should be at the other end of the supply chain. The corporation that orders the service needs to make sure the transport company is legal and capable of offering sustainable quality service within legal limits.

3.1 International transport in Finland

In Finland the different modes of transport are Sea-, rail-, air- and road transport. From all export 90% of the cargo is sent by Sea from Finland. Only less than 10% of the cargo is travelling on roads. (Liikenne- ja viestintäministeriö 2017)

The graph below, shows modes of transport used in Finland for export during 2008 – 2016.



Graph 2. Finnish export modes of transport. (Liikenne- ja viestintäministeriö 2017)

It is seen that most of the cargo is travelling by Sea. Finland as a country has well-functioning harbours that are professionally equipped. The harbours can handle all different types of cargo even in higher volumes. For a small country (in terms of population), Finland has large number of harbours, that all handle import and export shipments.

The main harbours are:

Vuosaari

Kotka, Mussalo and Hietanen

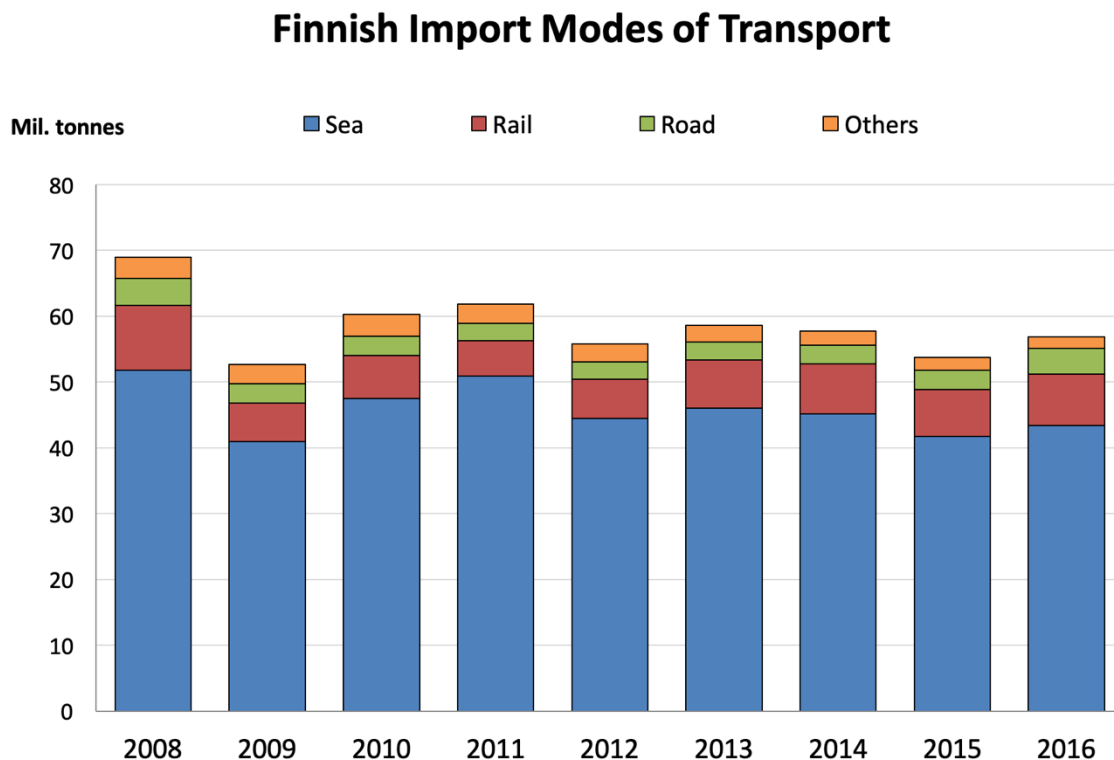
Hanko

Rauma

All the harbours mentioned above can handle seacontainers and semi-trailers shipped without trucks. (Madmar Transport, 2018)

From all import in Finland, 80% of cargo is travelling by Sea. (Liikenne- ja viestintäministeriö 2017)

The graph below, shows modes of transport used in Finland for import during 2008 – 2016.



Graph 3. Finnish import modes of transport. (Liikenne- ja viestintäministeriö 2017)

Since most of the cargo is travelling to Finland by Sea, there is a lot of multimodal combined transport in Finland.

Sea transport has a long history. It is popular due to low price and low risk factors. In Finland the geographic location and well functioning infrastructure (harbours) are both in favour of the Sea transport. All the Seacontainers and semi-trailers are sent from Western-European countries to Finland by Sea.

Rail transport is also used in Finland but not so much for import and export. The difference between the rails in different countries is making rail transport not so popular.

There is a new connection between Europe and Asia, Kouvola – Xian China Express train. The train is transporting Sea containers in just ten days from Finland to China when by Sea the transport would be about twenty to thirty days.

Within Finland, rail transport is used quite a lot since Finland is a large country. Mostly wood and wooden products are transported within Finland by trains.

Air freight is the most expensive mode of transport and the fastest. It is safe for the cargo and causes less damage since the cargo is in stable conditions at all times. For air cargo there are strict limitations on dimensions and weight. All the materials and equipment are not accepted for air cargo. Due to that, air freight is not the most flexible mode of transport.

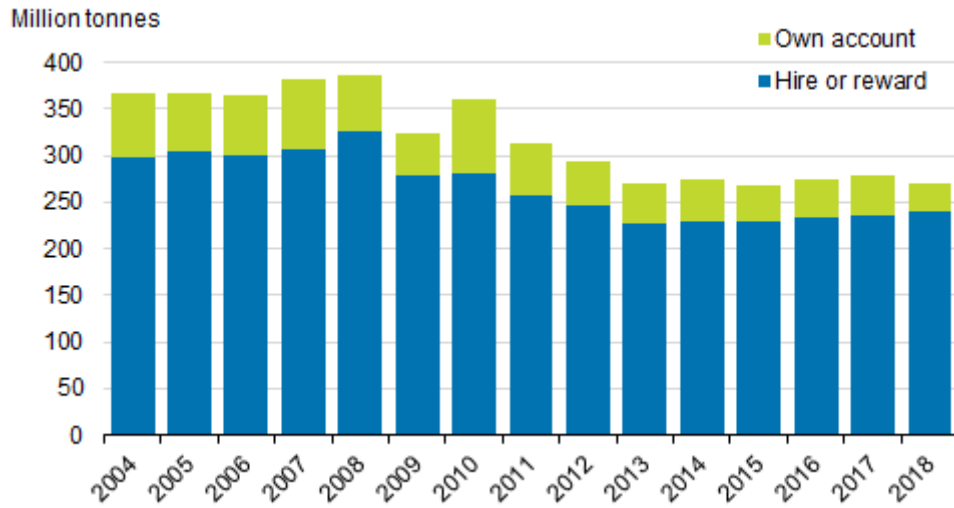
Road transport is used in combination with Sea transport. This is the most used combination of combined international transport today. About 90% of all cargo within Finland is moved on roads. It is the fastest and safest way between long distances over the Sea. (Kollak, M. 1. 9.2018)

Road transport can be divided into two categories. Truck and trailer road transport and just trailer transport. Truck and trailer combination is mostly used locally and for shorter distances, only the trailer is sent with cargo to more distant places. By ferry or sometimes by train. (Kollak, M. 1. 9.2018)

In the future the trends are for multimodal transport solutions. Road transport in combination with Sea- or rail transport offers the most efficiency and shorter lead times. In the future on-time deliveries are more and more in use and large terminals are working with appointments. All the work is well planned and according to ferry or train schedule, the loading and unloading times are set for road transport.

3.2 Road transportation in Finland

There is recent statistics on the amounts of road transportation in Finland. According to this statistics, there is a slight decline in the amount (in tonnes) of goods transported in Finland by trucks (see Graph 4). In the year 2018, trucks transported 3 per cent tonnes of goods less than in the year 2017. In terms of the distances, lorries drove 4 per cent less kilometres in the year 2018 compared to the previous year. (Goods Transport by Road 2018) This statistics might be an evidence of the of the shrinking market of transportation of goods by means of road transportation. Nevertheless, the decline seems to be quite insignificant and hardly can be interpreted as a certain model of the market development.



Graph 4. Annual volume of goods transported by lorries in domestic transport (Goods Transport by Road 2018)

Looking at the graph on the volume of goods transported by lorries in domestic transport, we can see that the decline of the last year is insignificant. The situation has been quite stable over the last five years.

This graph however also shows that the decrease has happened if the situation is compared to the statistics data of the period of 2004 – 2010.

3.3 Legal requirements

To operate in Finland or in any other EU country as a road transporter, the requirements are quite the same.

There are technical requirements for the transporting unit (the vehicle and the trailer). There are requirements for the company and the personnel. There are certain requirements for the drivers. Especially, when the drivers are not of EU citizens. Today many of the drivers working on European roads are from Russia, Ukraine or other non-EU country.

The truck and the trailer need to be technically in good condition and this is verified by technical inspection in the home country of the vehicle.

The company needs to have an international transport licence to operate in European Union and a copy of such a licence needs to be in every vehicle at all times. In addition there is a requirement for a person in charge of the road transport company. The EU training according to requirement no. 1071/2009 article 21 must be completed and such a certificate received.

For the drivers it is important to know all the latest safety requirements and worktime regulations in Europe. Such information is learned at a course for all professional drivers in every five years. It is called a professional competence course (ammattipätevyyskurssi) and after certified, a driver can start working.

For non EU-drivers there is a special requirement to operate in Europe. They need to obtain a driver card from the local authorities to show their competence working on European roads. The card is issued in Finland by Traficom and is valid the same time as a company's transport licence.

Traficom makes sure the person has a valid drivers licence, has passed all necessary competence courses and is legally working in Europe.

4 Research Methods

Most of the information and data are obtained via desktop research. Less information was received from the interviews. However, the information received by means of interviews provides important primary data.

As a research method, a qualitative research was selected. Qualitative method is employed since the research does not involve a large number of interviewees not is there a questionnaire to fill out. The idea on the subject can be pointed out based on only few sources of information. There is no need for a questionnaire to be filled out by 100 transport companies in Finland to get the idea. Instead, I had in-depth interview conversations with the employers operating within cabotage. The interviews included questions, however the conversations also had some flexibility in topics depending on the respondents' expertise and willingness to discuss certain topics. Some of the questions in the interviews were open-ended and informants had an opportunity to raise topics that are especially relevant to them in their everyday work.

Also since Qualitative Research is used to uncover trends in thought and opinions, and dive deeper into the problem. (What is the difference between qualitative and quantitative research, 2011).

At first the unit of analysis was selected. It was decided if an author can rely on universal theory or local knowledge. Is the research going to be cross-sectional or longitudinal? Will the theory in the end be falsified or verified? (Approaching Research Five Questions, 2019)

Interviews with professionals at their fields was an important part of information collection. Interviews and discussions were held with a person from Finnish Customs (Suomen Tulli) and representatives of transport companies operating in Finland.

Also an interview at the law office is important source of information since it is important to analyse the existing law. Different EU and Finnish paragraphs were analysed and compared the meaning or the idea behind them. The law is written with the same idea in EU level and in Finland but the Finnish version is slightly modified.

The main point of view is to explain in a very understandable format what is cabotage and how it works. What are the different forms of cabotage in terms of combined transport between EU Member States. To point out the requirements that need to be met and how to benefit in terms of saving costs due to legal cabotage within road transportation.

The best informants for the research are companies that actually benefit from the research. Companies that are operating internationally and not only locally in Finland. One or two

companies and interviews would be enough to get an idea of the level of knowledge among Finnish companies on the subject and their idea on the impact of cabotage in Finland.

The best motivation for the informants would be a finished research on the subject. A clear model or a process description how an international company could save costs and what is allowed in terms of cabotage and what not.

Below is the visualization of the research design. The data collection tools are desktop research, face-to-face interviews and focus group discussions. They are most suitable since there are not so many people to interview and being physically present always gives more information of the source (body language, general attitude on the subject).

The themes covered in interviews:

- General know-how on the subject
- General know-how on existing law
- Experiences in the field and on the subject
- Personal opinion on cabotage and open market within EU

Risks to avoid in data collection are that the data received is not useful in the research. For example if the company operates locally performing special transport, not general cargo and has no contact with cabotage they have no opinion on the subject. They have no impact on cabotage in Finland. To avoid that mistake, the persons and companies to be interviewed need to be carefully selected.

In the end the reader can trust the research because it is an analysis of the existing law and the main impacts of cabotage to the interviewees.

The research followed the following framework described in the figure 1.

Research Design

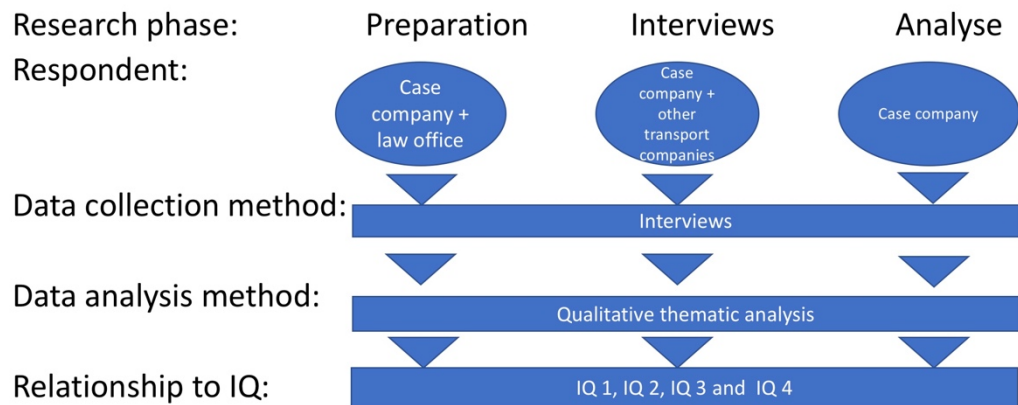


Figure 1. Research methods. (Fowler 2009)

In Figure 1 there is pointed out a research design and the flow of work. It is seen that within all three research phases, preparation, interview phase and analyse phase, the respondents are almost the same. There is a tight cooperation with the case company within interview phase and in analysing. Less input is needed in preparation phase since help of a law office is more needed at that time.

Data analysis method is qualitative thematic analysis since there is a qualitative research in question.

Research serves the purpose of all four investigative questions.

4.1 Interview framework

The people for interviews were carefully selected. Main criteria being that both persons were actively conducting cabotage transport within Finland. Another requirement was experience.

A representative of case company Madmar transport, Mr. Mart Kollak has been active in the trucking industry since 1989. He has lots of experience in formalities, paperwork and requirements before European Union even existed. Now all the new requirements and legislation are known and learned.

Mr. Sulev Viks from Rooleks Transport OÜ has actively arranged import – export transportation between Estonia and Finland over twenty years. In addition, Rooleks Transport has operation only within Finland.

4.2 Interview findings and analysis

Is cabotage in general a positive or a negative activity, the answers from interviewees were similar. It is positive since there should be open competition in one economic area. Within European Union, there should not be any barriers or limitations for people to travel, work or do business.

Cabotage and multimodal transport were both known terms since both companies have operated within Finland with foreign vehicles. Before starting the operation, it was necessary to find out the basis for the business.

The interpretation of the law is not always simple. In many cases an attorney or a member of Parliament from the Department of Transport needed to explain some paragraphs to 100% understand the meaning and the idea behind it. In Finland it is difficult, when the law on cabotage is not in line with the European law. This requires additional attention.

Benefits of cabotage carriages are cost saving and time. Logistics can be arranged more effective in a timely manner.

Interviews were carried out in the Estonian language.

5 The law on Cabotage within Transport Sector

In Finland the legal authority to control cabotage carriages is Finnish Police, Poliisi. The Police controls foreign vehicles mostly at Port of Entry in cooperation with Finnish Customs, Tulli.

In addition to European legislation, there is also a Finnish version of the law.

The Law in Finland is somewhat different from that in European Union level. It requires high level of knowledge to keep the daily operation in an international transport company within legal limits.

In many cases it is even difficult to find an accurate source for valid information. That brings us to the problem – what is cabotage within road transportation in Europe and how to interpret the law in Finland?

The law is continuously changing as it is updated by new members of the EU parliament as they go through the legal aspects of trucking industry within European Union.

5.1 Legislation on Cabotage within Transport Sector in EU

In the European Union, the practice of cabotage is stipulated in legislation in the Regulation (EC) No 1072/2009 of the European Parliament and of the Council of 21 October 2009 on common rules for access to the international road haulage market.

Article 2 of the Regulation provides the definition of cabotage stating that “cabotage operations’ means national carriage for hire or reward carried out on a temporary basis in a host Member State”. The criterion of temporary operations is one of the key points in the definition, at the same time it is the one that has been argued about the most.

Chapter III of this document is devoted to cabotage, namely general principles of cabotage (article 8), rules applicable to cabotage operations (article 9), safeguard procedure (article 10).

Article 8 of the Regulation provides general principles of cabotage in the European Union. It stipulates that “hauliers shall be permitted to carry out up to three cabotage operations following the international carriage from another Member State or from a third country to the host Member State” (paragraph 2).

The criterion of temporality is stipulated by the following regulation: “the last unloading in the course of a cabotage operation before leaving the host Member State shall take place within 7 days from the last unloading in the host Member State in the course of the incoming international carriage” (article 8, paragraph 2).

According to the Regulation, non-resident hauliers conform to the Regulation if they can produce sufficient evidence of legality in the following:

- (a) the name, address and signature of the sender;
- (b) the name, address and signature of the haulier;
- (c) the name and address of the consignee as well as his signature and the date of delivery once the goods have been delivered;
- (d) the place and the date of taking over of the goods and the place designated for delivery;
- (e) the description in common use of the nature of the goods and the method of packing, and, in the case of dangerous goods, their generally recognised description, as well as the number of packages and their special marks and numbers;
- (f) the gross mass of the goods or their quantity otherwise expressed;
- (g) the number plates of the motor vehicle and trailer.

In May 2017 the European Commission proposed a change in the regulation to relax the regulations. Instead of the three cabotage carriages in another EU member state, there would be allowed unlimited number of the loads. The time limit of seven days would be reduced to five days. (EU Cabotage: Pros, Cons and Proposals, 2019)

These changes are expected to increase flexibility and reduce empty runs. In total to generate savings of 2.7 – 5.2 billion euro between 2020 – 2035. (EU Cabotage: Pros, Cons and Proposals, 2019)

5.2 Legislation on Cabotage in Finland

In addition to the European Union's regulation of cabotage, Finland has its own legislation that complements the Regulation of the EU, namely the Law on commercial freight transportation on road (Laki kaupallisista tavarankuljetuksista tiellä 693/2006). According to this law, the temporality criterion of cabotage is defined in the way that temporary transportation should not last for more than a week neither a vehicle should do more than 10 transportations within three months. In other words, the criterion of temporality is stipulated slightly differently on the level of the Finland's and European Union's legislations.

There are also differences in how the number of transportations is counted. In Finland, partial unloading of freight on the way to the next unloading place is counted as a separate delivery. This means that if the freight is to be delivered to three different places, three transportations are performed. The European Union's legislation does not count partial delivery (unloading) as a separate transportation. (HE 143/2015 vp, 5)

Finland's legislation also more precisely defines some conditions in order cabotage to be in conformity with the law. One of the basic requirements of cabotage is that a vehicle unit should be loaded when arriving to Finland, in other case (when unit is empty) legal cabotage is impossible.

The disputes that the law on cabotage and its implementation evolve not only in the sphere of implementation, particularly differences in the interpretation of the law by the customs officials and commercial firms practicing cabotage. The dispute also evolves on the political level regarding the differences in the legislation of the EU and Finland. The EU officials strive for loosening the legislation on cabotage in Finland in order the freight transportation market to be more open and free.

The EU commission considers Finland's law on cabotage to be in contradiction with the the EU's legislation. (Hallituksen esitys eduskunnalle laiksi kaupallisista tavarankuljetuksista tiellä annetun lain 6a §:n muuttamisesta HE 143/2015.)

5.3 Legislation on cabotage and practice: problems of implementation and interpretation

Despite the introduction of the Regulation (EC) No 1072/2009 in 2009 brought some certainty in the topic of cabotage, experts have been pointing out the lack of clarity in the legislation on cabotage. In their article, Fabricius and Benedictsen-Nislev (2018) raise many questions on the clarity of the legislation on cabotage from the legal point of view in the context of the Danish and the EU market.

The main concern of the article is the definition and interpretation of Combined transport.

It is stated in the conclusion that "the definition of "transport of goods" differs under the cabotage rules compared to under the rules on combined transport". (Fabricius and Benedictsen-Nislev 2018).

One of the main problems with the implementation of the law on cabotage is the lack of effective tools to monitor infringements of cabotage. Experts point out that in practice it is very difficult "to verify the start of cabotage operations, its link to international carriage. The calculation of the 7-day period and the identification of the number of journeys carried out within the period" (Development and Implementation of EU Road Cabotage 2013, 43).

5.4 Multimodal transport

Law on international combined carriage of goods is called multimodal transport (Laki liikenteen palveluista 320/2017, 2 luku 1§). Many trucks from a subsidiary of the case company, Madmar Transport, are operating under this law. It is important to understand and fulfill all the requirements set, to qualify under this paragraph.

The law states that vehicles can operate in another EU-member state without quantity limitation to carry out the combined transport road-transport portion of the total carriage process. (Helistö, J. 23.11.2018)

There are the following criteria that needs to be met:

- The unit needs to be at least 20” container, it cannot be smaller than that
- The unit needs to travel on a ferry or on a train longer distance than 100 km before arrival
- The unit can be transported by land only maximum of 150 km from the harbour or a train station to load or unload
- On the shipping documents (usually called CMR) it needs to be clearly marked, where did the road carriage part of the combined shipment begin. It needs to be easily recognizable for the authorities to verify the legal status of the shipment on the road.

Even when all the criteria, mentioned above, is met – there is still a time limitation for a foreign vehicle. In Finland, a foreign vehicle needs local registration after 90 days of presence in the country. (Helistö, J. 23.11.2018)

There is a time to carry out local carriages and when the time is up, a motor vehicle or a trailer needs to leave the country. It is also possible to register the vehicle locally.

The main idea of the multimodal transport is to have less trucks on the road. More efficient logistics. More information on the loads and empty trucks in one place. Less empty kilometres for transport companies and nicely fine-tuned programs for drivers.

The idea behind multimodal transport in EU Commission is lower emissions. When there are less trucks on the road, it means cleaner air for all of us. One train or a ferry can carry hundreds of trailers and thousands of Seacontainers. That means there are hundreds of trucks less in traffic and less pollution.

The future is about ferries and trains. There are less vehicles driving from Rovaniemi, Finland to Milan, Italy. Instead, a Finnish operator is delivering the loaded trailer or a Sea container to the Finnish harbour. A ferry delivers the cargo to Germany, Belgium or Holland. From a local port there, a local transporter is delivering the loaded unit to the train station to be loaded on a train. To southern Europe the cargo arrives by train. Again, there a local transporter is picking up the unit at the train station and delivers the cargo to the end-client.

The benefits of such a global combined transport of goods:

- There are no terminals and no reloadings needed
- Cargo is 100% at all times in the transporting unit (a semitrailer or a Seacontainer) untouched
- Cargo is set in place and fastened securely at the time of loading and the fittings are removed only at the final unloading place
- There are no long haulages on busy and crowded European Roads.
- Higher efficiency in trucking companies. Lots of trailers means lots of haulages. Local operation is more efficient than long-haulage. Drivers can be replaced and truck can be operational 24 hour a day. It is not easy to replace a driver at a distant location at the other side of Europe.
- Better know-how on locations. Local drivers know local companies. This means there are no Finnish drivers in Italy Searching for unknown locations and no Italians in Finland doing the same.

6 Conclusions

Similar research on cabotage in Finland was carried out in 2017 by Mr. Vesa Lämsä in North Finland. Mr. Lämsä discussed the influence of cabotage for large trucking companies and only in the area of Northern Finland. As it is mentioned in the thesis, the level of cabotage carriages in Finland is relatively low when compared to other countries in Western Europe.

Finland is quite a distant country in terms of Europe and has not many close neighbours with lower economic level. Perhaps the Baltic countries and Poland could be pointed out.

Since there is high competition in international transportation industry, local carriages are becoming more and more interesting for foreign trucking companies. Stable contracts with high returns are needed to survive in the market. The cost of fuel and maintenance of vehicles are high thus it is necessary for a trucking company to carefully calculate and continuously search for alternative solutions.

For Madmar Transport it is of utmost importance to interpret all rules and regulations correct. With the help of an attorney, and explanations of Finnish Customs specials, the requirements for an intermodal transportation in Finland were explained in an easily understandable form. In a legal situation, communication is important. All parties involved need to have exactly the same understanding of the rules.

Why is there cabotage? The idea behind it is efficiency and cost saving.

The future will bring a lot of changes in this area of business. Intermodal carriages are getting more popular and sustainable solutions that will be more green and economy-friendly, will grow. Long-haul trucks will disappear. Trailers and Seacontainers (universal units all over the world) will be used to transport cargo all over the world and the units are moved by transport companies locally.

The importance of legal status of the drivers and trucks will become more important. Qualification of the company and the drivers is rising. There need to be universal easy-to-understand safety regulations and general terms and conditions. Global logistics is teamwork.

In a recent article in Finnish Kauppalehti, there is mentioned that foreign people working in another member state, should be paid the same level as locals doing the same type of jobs. This would reduce cabotage operations and create more possibilities for local companies

in the competition. In addition a new tachograph to record drivers time for work and rest shall be introduced shortly.

It is presented in the EU parliament, that the drivers should not spend their weekend-break (45 h) in the cabin of a truck and need to return to their home-country regularly after 3 days of cabotage transportations. (Semkina 2019, 7)

This too is a step towards equality within the EU. Low-paid drivers living in limited conditions for long periods of time, is not acceptable. In one economic area, there should be equal rights and possibilities for all the members of the community.

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Annex 1

Interview questionnaire

Thank you for taking the time to answer these questions for my Bachelors Thesis. The research is on cabotage within Finnish trucking industry.

1. What is your position in the company?
2. How long have you worked for the company in that position?
3. What kind of transport services does your company provide?
4. What is cabotage in your opinion?
5. Explain a case in your daily work where there was a cabotage-carriage in question, in your opinion.
6. What is multimodal transport in your opinion?
7. Is your company performing any cabotage transportation in Finland?
8. Is your company performing multimodal transportation in Finland?
9. Do you find easily the needed information of the topic?
10. Is the current law easy to understand?
11. What is the main impact on local companies when non-locals are transporting goods locally within Finland?
12. Do you see any security risks in such operation?
13. What is the effect from multimodal transport to end users at home (a private person for example) in your opinion?
14. Is cabotage in general a positive or more a negative activity?
15. Is the control on cabotage and multimodal transport efficient in Finland?

Thank You for your answers!

Sincerely,

Madis Kollak

Haaga Helia Student