

**POSITION PAPER:**  
**OPERATIONAL AND LEGAL FRAMEWORK FOR**  
**COLLABORATION**

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Deliverable D2.1

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## **EXECUTIVE SUMMARY:**

# **CO<sup>3</sup> POSITION ABOUT OPERATIONAL AND LEGAL FRAMEWORK FOR COLLABORATION**

## **CO3**

The EU-funded project ‘Collaboration Concepts for Co-modality’, or ‘CO3’ in short, is a project that aims to develop, professionalize and disseminate information on the business strategy of logistics collaboration in Europe. The goal of the project is to deliver a concrete contribution to increasing load factors, reducing empty movements and stimulate co-modality, through collaboration between industry partners, thereby reducing transport externalities such as greenhouse gas emissions and costs. The project will coordinate studies and expert group exchanges and build on existing methodologies to develop legal and operational frameworks for collaboration via freight flow bundling in Europe. Furthermore, the project consortium of knowledge institutes and industry partners will come up with joint business models for logistics collaboration. The developed tools, technologies and business models will be applied and validated in the market via case studies. Finally, the CO3 consortium will promote and facilitate matchmaking and knowledge-sharing through conferences and practical workshops to transfer knowledge and increase the market acceptance of collaboration.

As a starting point for the CO3 project, this paper provides an overview of the most relevant aspects for horizontal collaboration projects, based primarily on academic literature but furnished by insights from practitioners and industry experts. It discusses all relevant dimensions of horizontal collaboration, empirical opportunities and impediments, a description of the development process, roles and responsibilities of the key actors, and available tools and technologies. In this summary, the key messages of the position paper are briefly explained.

## **HORIZONTAL COLLABORATION AND CO-MODALITY**

The CO3 project aims at supporting co-modality projects that are made possible by the increased economies of scale created by means of horizontal collaboration between companies, being either logistics service providers or shippers. Individually these companies might not have the scale to make the shift from road to rail, inland navigation or short sea shipping, but the idea is that by bundling companies can accumulate enough transport volume to fill a train, ship or barge, thereby reducing cost and decreasing total emissions of the transport industry in Europe.

## **CURRENT ROAD TRANSPORT EFFICIENCY**

The main factors driving inefficiency in the road transport industry in Europe are the high percentage of empty running and the low load factors. The first one is mainly due to geographical trade imbalances and the lack of scale at carrier companies described in the previous subsection. The low load factors are mainly due to order fragmentation at shippers following just in time production and working capital reduction policies. In addition, planning capabilities at both shippers and logistics service providers could be improved to better utilizing available transport capacity. By closely cooperating logistics shippers and service providers can reduce their

inefficiency, something that is very much called for. In the period of 2001-2010 between 18.0% and 20.4% of freight kilometers driven in the European Union (27 countries) are conducted by empty vehicles. Another disturbing fact is that the average loading rate of the other remaining, i.e. loaded vehicles is only about 56% in terms of weight. Together these two observations result in an overall efficiency score of European road transport of around 45%. The total cost burden of road freight transport inefficiency is enormous. It increases from around € 120 billion in 2001 to around € 160 billion in 2010, having a peak of € 170 billion in 2008.

### **FAIR GAIN SHARING**

When creating these consortia of companies working together, quite some aspects play a role. For example, a consortium is only economically viable if enough synergy exists among it. Furthermore, there is the aspect of trust, fair gain sharing and competition. Usually it is easier to collaborate with companies outside one's own industry than with direct competitors, although obviously the overlap and synergy with competitors is promising by its nature. The dangers of mistrust and legal aspects however make that it seems more reasonable to sacrifice a little synergy for the sake of feasibility of a long lasting partnership. Whether between competitors or non-competitors, a fair gain sharing mechanism is essential. Therefore, fair gain sharing is one of the key messages of CO3.

### **STRUCTURED DEVELOPMENT PROCESS**

The CO3 project aims to develop, describe and implement the ideal setup of a logistics collaboration project. This should be generic enough to fit most practical cases. It explicitly does not ambition to guide all individual cases in their development process towards true collaboration. That is impossible because there are just too many possible routes towards this, which depend on the specifics of the companies involved, the pace of development, impact etc. It is however very important to stick to a structured development process, for example including all legal contracts required. This structured development process is another key message of CO3.

### **TRUSTEE IS NEEDED**

It was argued in this paper that there is a need for a specialized entity to setup, manage and develop a collaboration. If such a neutral, transparent and trusted party is not present, there is a severe risk that not all parties will efficiently work together in the long run on a fair give and take basis. Typically, there are two separate types of collaboration support activities carried out by a trustee. We categorize these types as 'offline' and 'online' activities. The main keywords for both the online and the offline functions of a trustee are neutrality, transparency and safeguarded confidentiality of data provided. These can never be compromised in any of the tasks performed by the trustee. In addition, the trustee will take responsibility for the legal foundations of the collaboration, making sure that for example the necessary contracts are in place, the collaboration satisfies competition law and the shared data remain strictly confidential. Given the importance of a trustee, the final key message of CO3 states that in a well-designed horizontal collaboration project, a neutral trustee must be in place to avoid anti-trust and establish a sustainable collaboration between the parties.

## About CO<sup>3</sup>: “Collaborative Concepts for Co-Modality” -> From CO<sub>2</sub> to CO<sub>3</sub>

The mission of CO<sup>3</sup> is to encourage a structural breakthrough in the competitiveness and sustainability of European logistics by stimulating horizontal collaboration between European shippers. To achieve this goal, horizontal flow bundling and co-modality scenarios, designed to be repeatable and scalable, will be created in a number of test cases.

The project started on 1st September 2011 for a three years period. CO<sup>3</sup> is funded from the European Union's Seventh Framework Program ([FP7/2007-2013- SST-2011-RTD-1-7.6]) under grant agreement n°284926.

### THE CONSORTIUM

#### COORDINATION:



#### Tools and techniques: Strengthen the operational and legal framework



#### IDENTIFYING APPROPRIATE COLLABORATIVE BUSINESS MODELS:



#### THE LOGISTICS LABORATORY: CASE STUDIES (CO<sup>3</sup> TRUSTEE)



#### Knowledge transfer and networking



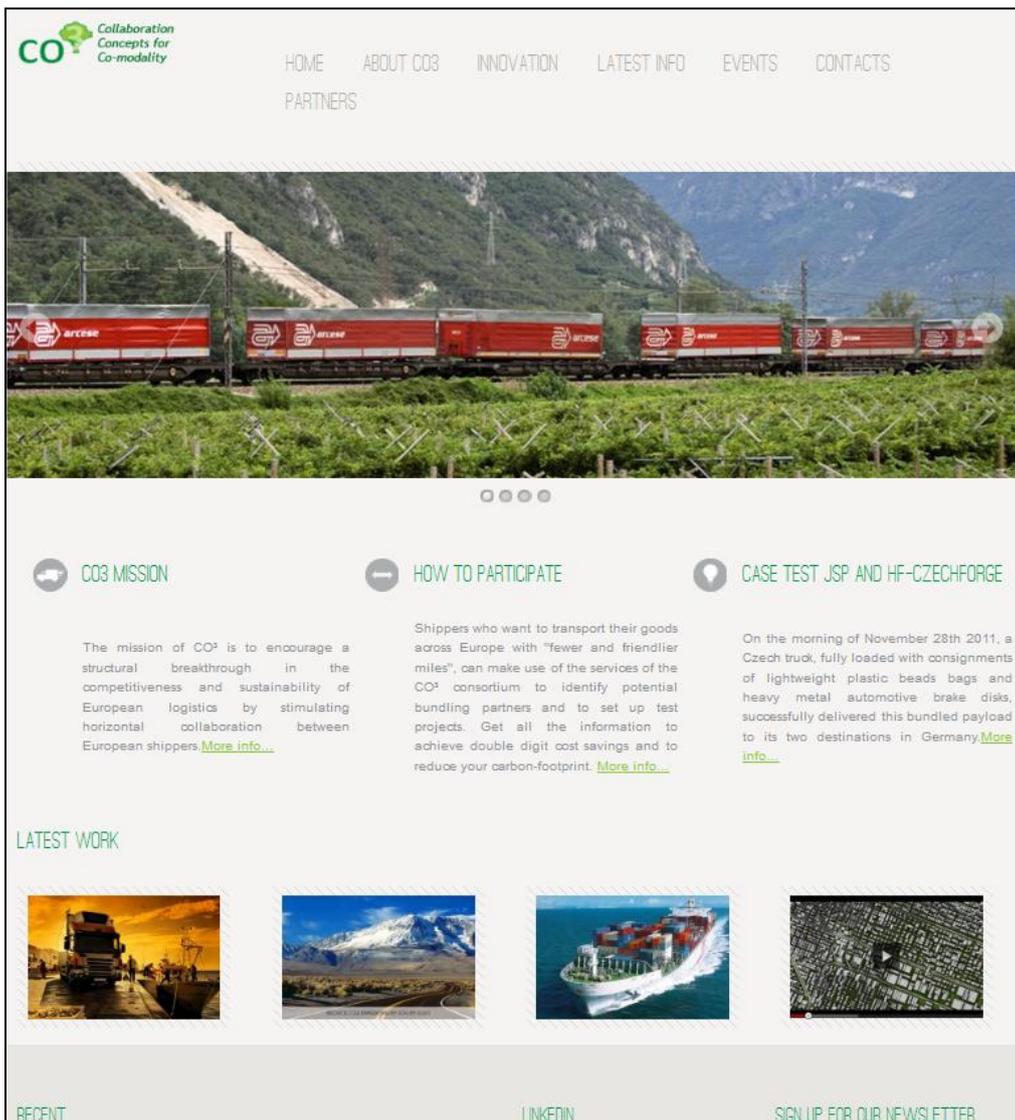
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The screenshot shows the homepage of the CO<sup>2</sup> website. At the top left is the CO<sup>2</sup> logo with the text "Collaboration Concepts for Co-modality". To the right is a navigation menu with links: HOME, ABOUT CO<sup>2</sup>, INNOVATION, LATEST INFO, EVENTS, CONTACTS, and PARTNERS. Below the menu is a large banner image of a red train with "arceas" branding on the side, moving through a green vineyard. Underneath the banner are three main content sections: "CO<sup>2</sup> MISSION" (with a truck icon), "HOW TO PARTICIPATE" (with a minus sign icon), and "CASE TEST JSP AND HF-CZECHFORGE" (with a location pin icon). Each section contains a short paragraph of text and a "More info..." link. Below these sections is a "LATEST WORK" section featuring four small image thumbnails: a truck, a snowy mountain landscape, a cargo ship, and a city street view. At the bottom of the page are three links: "RECENT", "LINKEDIN", and "SIGN UP FOR OUR NEWSLETTER".