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Trucking in the Eastern Bloc – Why Failed Large Scale Trucking Enterprises?

Under communist economic policy, the concept of large-scale factories played an important role. Large productivity gains were assumed to be earned by large-scale organization and large-scale concepts were in the 1950s also applied to the transport sector creating large forwarder companies as service transport companies for the industrial enterprises, thirty years before Western management started outsourcing truck transportation out of their factories in the 1980s (Toyota production system). So the Eastern Bloc developed a transport innovation. But was the communist traffic policy successful? Why was there no imitation in the Western world?

When one observes a truck riding on a road in East or West then the truck can be employed in two modes. The truck can belong to a truck service company (forwarder) conducting transports for an industrial enterprise that has to delivery products to its customers. Or the truck operates as part of an industrial enterprise's truck fleet (transport "on own account"). If one compares only the cost of transportation, in many cases, transport by a forwarder is cheaper than transport by one's own fleet because the forwarder can make better use of truck capacity by bundling several orders with a similar destination into one shipment. But this effect of bundling only occurs on long distance transports. For trips inside cities this effect vanishes as the broad debate on logistic solutions for city delivery shows. The main objection against enterprise truck fleets refers to "dead mileage". When an enterprise delivers products to a customer with its own truck, then the truck returns without load to its home base which is called "dead mileage", whereas a truck of a forwarder could collect cargo for the way back and uses its capacity for transport of cargo. This critique on enterprise truck fleets state socialist traffic planners in the Eastern Bloc underscored in many statements from 1950 to 1990. But – as demonstrated by the broad debate since the 1920s concerning the economic advantages an enterprise can achieve using own truck fleets¹ – there are other benefits to using one's own fleet that countervail the cost argument. Many of these advantages result from the close ties between production and transportation, which also applied to enterprises in state socialist countries. In addition, the enterprises don't just take the isolated cost of transport into account but also the gains that were induced by immediate delivery, no waiting time for delivery and a close relation to their customers. Also in local transport, which is characteristic for example in the construction trade and in the delivery of shops, a bundling of transport capacity through a forwarder provides no more gains than the cost of bundling.

¹ Richard Vahrenkamp: The Logistic Revolution – The Rise of Logistics in the Mass Consumption Society, Cologne 2012.

In the 1950s in the Soviet Union and in the German Democratic Republic, the transport ministry pulled the small truck fleets out of state-owned enterprises, in the sectors industry, construction and commerce, and concentrated them into large separate transport service enterprises up to 1000 trucks. Because this did not increase productivity, however, this policy was partly revised in the 1960s. This paper explores the reasons why this policy was unsuccessful. State-owned enterprises, in the sectors industry, construction and commerce, struggled against the communist transport department to keep the fleets they needed to conduct business under the condition of a shortage economy.

The paper also explores how the enterprises responded to pressure from the transport department and shows the conflict between communist ideology and the operational needs of transportation – specifically by trucks – within commerce and industry. The enterprises preferred own fleets because transport service enterprises hold a position of a regional monopoly, but could not offer a reliable service. Other than in the Western world with a competition economy the enterprises could not switch to other transport service enterprises in the case of bad service. When the enterprises were depended on public truck service, which had a transport monopole and was not subject to competition, they had to wait for service. Urgent deliveries could not be carried out by own fleets and economic losses occurred due to late delivery. The bad service resulted in long queues for service and presented the service enterprises a high degree of capacity utilization which served – absurdly – as justification for public transport. That the capacity utilization rises with the length of the queue is known in traffic science and production theory. The transport policy rose resistance and enterprises with large political influence could keep their fleets, as the construction enterprises “Metro Construction” and “Academy Construction” in Moscow.