

**Influence, Information and Lobbying in the European Union:
a Comparison of Business Sector Strategies**

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Influence, Information and Lobbying in the European Union: a Comparison of Business Sector Strategies

Abstract

The development of European Union political institutions and scope of policy-making has resulted in fundamental changes in the political and economic environment within which UK firms operate. Since 1986 in particular, the response to these developments has been a noted increase in business lobbying activity directed towards 'Brussels'. A dense network of interests has formed around key EU institutions. This includes some companies which have chosen to locate a permanent company representative in Brussels. Firms have a variety of strategies they can adopt for representation, both individual and collective, in addition to existing, established, national routes for exerting influence on EU institutions and policies.

The thesis is about why companies choose particular strategies, and the political and economic factors which may help determine that choice. It maintains that *information* plays a key role in the creation of opportunities for influence, and in the choice of influence strategies.

Chapter 2 explores theoretical contributions on influence behaviour and lobbying activity. Chapters 3 & 4 review the development of the EU. It shows that the complexity and uncertainty of its institutions and decision-making processes generate substantial information needs on the part of policy-makers. This in turn creates a high level of opportunity for business interests to exert influence. Following a brief outline of the approach to the empirical work contained in chapter 5, chapters 6 & 7 examine business response to these opportunities across two industries. Two contrasting sectors are analysed, Road Freight and Pharmaceuticals. These show that business response to such opportunities can vary significantly both at firm and at sectoral level. It links responses to the costs and benefits associated with various strategies, which in turn relate to key firm and sector characteristics. The most important of these are; firm size, transnational operations and sector concentration.

Chapter 8 brings together the findings from both empirical work and earlier theoretical contributions and assesses the similarities and differences between the Road Freight and Pharmaceutical sectors in terms of both firm and sector characteristics, and influence strategies focused on EU institutions and policy-making.

List of Abbreviations

| | |
|---------|--|
| AEA | Association of European Airlines |
| ABCC | Association of British Chambers of Commerce |
| ABPI | Association of British Pharmaceutical Industries |
| AMCHAM | American Chambers of Commerce |
| BDA | Bundesvereinigung de Deutschen Arbeitgebervande |
| BDF | Bundesverband des Deutschen Guterfernverkehrs |
| BDI | Bundesverband der Deutschen Industrie |
| BEUC | European Bureau of Consumers' Associations |
| BMA | British Medical Association |
| CIA | Chemical Industries Association |
| CBI | Confederation of British Industry |
| CEFIC | European Chemical Industry Council |
| CEN | European Standards Committee |
| CEO | Chief Executive Officer |
| COPA | Committee of Professional Agricultural Organisations |
| COREPER | Committee of Permanent Representatives |
| CTP | Common Transport Policy |
| DG | Directorate General |
| EC | European Community |
| ECIS | European Committee for Interoperable Systems |
| ECMT | European Council of Transport Ministers |
| ECSC | European Coal and Steel Community |
| Ecu | European Currency Unit |
| ECOSOC | Economic and Social Committee |
| EEC | European Economic Community |
| EFPIA | European Federation of Pharmaceutical Industries Associations |
| EIB | European Investment Bank |
| EMA | European Medicines Evaluation Agency |
| EVO | Algemene Verlanders - en Eigenvervoer Organisatie |
| ESPRIT | European Strategic Programme for Research & Development in Information Technology |
| ETUC | European Trade Union Council |
| EU | European Union |

| | |
|---------------------|--|
| EUROCHAMBRES | Association of European Chambers of Commerce & Industry |
| FTA | Freight Transport Association |
| FTE | Full Time Equivalent |
| IATA | International Air Transport Association |
| IRU | International Road Union |
| MEP | Member of the European Parliament |
| NFU | National Farmers Union |
| NHS | National Health Service |
| PAGB | Pharmaceutical Association of Great Britain |
| PMA | Pharmaceutical Manufacturers Association |
| PPRS | Pharmaceutical Price Regulation Scheme |
| RACE | Research & Development in Advanced Communications Technologies for Europe |
| RHA | Road Haulage Association |
| SEA | Single European Act |
| SME | Small and Medium Sized Enterprise |
| TGWU | Transport & General Workers Union |
| UITP | International Union of Public Transport |
| UKREP | United Kingdom Representation |
| UNICE | Union of Industrial & Employers Confederation of Europe |

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Preface

Since commencing this research in 1994, there have been significant developments both within the EU political environment and within the business sectors reviewed in this thesis. The adoption of the title European Union (EU), rather than European Community (EC) since the ratification of the Treaty on European Union, is one change which is reflected in the thesis. However, it should be noted that much of the literature on the EU/EC predates this change, hence there are occasions within the text where the old terminology will be apparent. The reader should take the two as interchangeable.

Further change relates to the number of Member States within the EU. This increased to 15 in 1995, with the accession of Finland, Sweden and Austria. Again, some literature references may include the 'old' total of 12 Member States, but such instances are highlighted in the text.

Finally, there have been significant changes in one of the sectors under consideration in this research, since its commencement. The Pharmaceutical industry has seen a wave of mergers, and increased concentration of the industry. One of the key inputs to this chapter is from Glaxo Pharmaceuticals UK Ltd, which has subsequently merged with Wellcome. Although at the time of the research, this merger had not yet taken place, general references within the text have been altered to read 'GlaxoWellcome', while specific points attributable to company representatives or historical data have retained the Glaxo nomenclature.

Chapter 1

Introduction

1.1 The Purpose of the Thesis

The purpose of this thesis is to investigate how certain business sectors have responded to the development of the EU in terms of their influence strategies. It looks at the opportunities for influence created by EU institutions, the response of business sectors to those opportunities, and the factors which underlie both opportunity and response. It is about the network of organisations which exert influence on political decision-makers, including companies, and the factors which shape those networks. The research therefore looks at *company* influence strategy as well as how those strategies are translated at *sectoral* level. In particular it examines why some firms and interest groups invest in directly approaching EU decision-makers, in some cases even appointing a 'Brussels based' lobbyist.

In order to address these themes, the network of organisations within two business sectors are described and analysed. This analysis is set within the context of the opportunities for influence within the EU political arena, why those opportunities arise, and the key role that information issues play in both the creation of opportunities for influence, and the potential costs and benefits of accessing those opportunities.

1.2 Context of the Thesis

Since the establishment of the European Community through the Treaty of Rome in 1957, the development of Community institutions and enhancement of policy-making powers through further Treaty amendments has introduced significant changes in the political and economic environment in which firms operate (Andersen, 1992, p.17). Examples of this change are abundant, from the harmonisation of regulations governing company products and services, to the negotiation of trade agreements in an international context. All have their effect on the 'market' in which firms operate, as a new set of governmental institutions have developed and implemented policies which have furthered their own political, social and economic goals.

Until recently, such activities have largely been the prerogative of national governments. However, the establishment and development of EU institutions and their policy-making powers has added a new dimension in the European context which has produced major change for individuals, firms, and national governments. Not only has

it created a new political environment within which firms have to operate, and therefore a new *focus* for influencing political decision-makers, but through the development of EU institutions it has created a *new economic actor* which pursues economic objectives linked to the competitiveness of the EU within the international economy.

The context of the thesis is the new political environment created by the development of the EU, its institutions, policies and decision-making processes. The assumption at the outset is that companies will attempt to influence political institutions, recognising the effects both positive and negative these may have on the economic environment. What this study shows however, is that the way they do this may differ considerably, both in terms of approach and the benefits which accrue from this activity.

There are a number of approaches companies may use in order to exert influence on governmental agencies, whether national or EU. They may choose to invest in individual representation, act collectively, or pursue a 'multiple strategy' which combines both individual and collective representation. The first is likely to involve a higher cost to the firm than the second. Since 1986 and the ratification of the Single European Act, an overall increase in lobbying activity has been noted (Andersen & Eliassen, 1993, p.3; Mazey & Richardson, 1993a, p.6). A characteristic of this increase has been the development of individual lobbying capabilities by some firms and the emergence of a professional public affairs function serviced either by in-house expertise, or the use of professional lobbying firms. The political environment within which this development has occurred is complicated by the fact that although a new European political structure has been formed, it does not replace existing national government arrangements. Instead, these form an integral part of the new structure, while still retaining a high degree of independence and authority. It is therefore an environment which is in many ways unique - a clear departure from current forms of national government, yet distinct from current forms of intergovernmental organisation. It is a new form of political institution which is still in the process of evolution (Schmitter, 1996, p14).

1.3 Definitions: Power, Influence and Lobbying

There have been various attempts at the definition of power and its relationship to influence, from Weber to the more recent contribution of Stephen Lukes. Weber's idea of power was the ability to impose binding decisions on others and influence as the ability to affect those decisions. This makes clear distinction between the two terms based on the concept of authority. As the literature on EU lobbying will show however,

such neat distinctions may not fit the reality of the complexities of modern political and economic life. Today, the economic power of some of the world's largest corporations is obvious. The growth of competition among national governments for investment from these organisations is a feature of the changing international scene, accompanied by the development of regional strategies which encourage firms to locate their activities in particular areas (Porter, 1986, p.6). For some companies, relationships with government are more characterised by negotiation and influence rather than the ability to coerce (Wallace & Wallace, 1996, pp 32-37).

More appropriate therefore is Stephen Lukes broader definition of power which maintains that it is the ability to get someone to do what they would otherwise not have done. This encompasses the ability to influence decisions, shape the political agenda, or control thought through manipulation (Lukes, 1974). These ideas echo the picture of EU lobbying which emerges from existing research (Mazey & Richardson, 1991, 1993a; Pedler & Van Schendelen, 1994; Greenwood, Grote & Ronit, 1992). The object of lobbying is to influence policy decisions, to be involved at the early stages of decision-making in order to help shape the agenda, and to use *the substantial information resources* often available to business interests as a means of influence.

Within this definition, the ability of business interests, either individual firms, or groups of firms, to influence decision-making could be classified as a form of power. In a European context, this may explain why pressure to limit or at least control more formally the activities of lobbyists has arisen primarily from the European Parliament, and not from the Commission. As the following chapters will show, the Commission may have a vested interest in allowing lobbying activity, linked to its information needs, which is not present to the same degree for members of the European Parliament. For MEPs, therefore, lobbying by private interests may well be seen as more of a threat or nuisance, in comparison with officials of the Commission.

The debate about power and influence is a subject in its own right and it is not the intention here to develop the theme in more detail. However, it provides an important insight into the reciprocal nature of some of the relationships which underpin EU lobbying, i.e. it is not simply a question of policy-decisions being imposed by government on business, as these decisions are subject to various forms of influence.

Influence activities may take many forms. They may involve the use of information in order to logically persuade, they may involve intimidation, bribery, or favours granted as part of special networks of relationships. For the purpose of the thesis the focus is

the use of information, although all four manifestations of influence are closely linked in the public's mind. Here the *use of information* is the defining characteristic of lobbying. It is also, therefore, about bargaining, negotiation, and the compromises which are reached as a result of these activities. All lobbying activities, within this definition are a form of influence, but not all influence is exerted through lobbying.

Lobbying is also used to describe *one* of the strategies that may be employed by a company seeking to influence decision-makers. In the context of this research, it is the attempt to influence EU governmental decisions by accessing decision-makers *directly*. This definition draws a distinction between lobbying and the broader perspective of influencing. For example, if firms exert influence on EU decisions through their trade association, then it is likely to be the trade association which 'lobbies', not the firm.

Lobbying activity directed towards European Union institutions has been the subject of increasing interest amongst researchers over the past few years. Attention has focused in particular on the response of interest groups to the development of the governmental capabilities of EU institutions. The change in the level of EU lobbying activity is well documented (Mazey & Richardson, 1993, p.5; Andersen & Eliassen, 1993 p.39; Greenwood, Grote & Ronit, 1992, p.28). Although overall activity seems to have increased, there is also evidence of a shift in focus to the EU from national government. Sectoral studies by authors such as Cawson (1992), Greenwood, Grote & Ronit (1992) and McLaughlin (1994) provide a more detailed analysis of influencing strategies and lobbying activity, taking into account industry characteristics. They focus in particular on the collective action of firms, rather than on firms as individual actors. However, the implied starting point is the same. This is the importance of firm characteristics, the industry structure and competitive environment. These are defined by factors such as the concentration or fragmentation of the industry, and the products or services offered. This research follows the same reasoning in that it investigates and compares the influence strategies across two sectors which represent contrasting structures.

1.4 Subject and Key Themes

The thesis develops findings from existing analyses of sectoral and company behaviour as well containing new, empirical work (Road Freight). The chapter on Pharmaceuticals is also adjusted in part through new empirical work to develop existing studies. Two sectors are assessed in order to be able to extract and examine differences and similarities.

The starting point is that influencing strategies, and lobbying activity are developed as the result of both political and economic factors. First, the development of the EU, its institutions, policy competence and decision-making processes provide the opportunity for influence. They also impact established approaches to, and relationships with national government agencies and decision-makers. Second however, the existence of such opportunities does not in itself account for the response of companies, either collectively or as individuals. The size of firms, their transnational operations, and the economic concentration of their activities also provide factors which are important in understanding firm behaviour and sectoral patterns of influence.

In terms of the sectoral investigations which form the core of the thesis, the expectation is that there will be evidence of a re-focusing of influence strategies and lobbying activity, towards the EU. However, the organisation of this response will differ according to firm and industry specific factors. The relative cost of different strategies against the value of potential benefits from lobbying (i.e. direct contact with decision-makers), is driven by these factors. The key themes which are investigated as part of this objective are:

- **The Opportunities for Influence:** the institutional development and growing policy competence of the EU is important in understanding the opportunities for influence this presents to business. The particular characteristics of EU institutional arrangements, policies and decision-making processes facilitate greater opportunities for influence than some national arrangements. Key to this are the information needs of EU decision-makers, which firms and their collective interests may be well placed to provide. As chapter 3 will show, within the EU decision-makers are open to contact, and have even stated this as a policy (CEC 92, (2272) *An Open And Structured Dialogue between the Commission and Interest Groups*).
- **The Costs & Benefits of Influence:** the fact that there are more, or less opportunities for influence created by the particular characteristics of the political environment does not necessarily mean that all companies will seek to take advantage of these. The exercise of influence involves cost to companies, whether they take individual action and decide to engage in their own lobbying, or whether they seek collective representation through interest groups. A basic assumption here is that they will take decisions about their approach on the basis of both the costs and the benefits involved and therefore they are acting in a rational, self interested way. Understanding the potential costs and benefits is therefore important in any assessment of influence strategies, particularly whether they are

individual, or collective benefits. Much current literature assumes, rightly, that because political institutions can adversely affect the market in which firms operate and therefore their profits, then this generates attempts at influence. However, it is only by examining the nature of the costs and potential benefits that the reason for particular strategies becomes apparent.

- **Industry Structure & the Organisation of Influence:** while political developments may shape the opportunity for influence, it is the particular characteristics of companies, and the competitive relationships within industry sectors which will determine the response to these opportunities in terms of the costs and benefits of such activity. The response will be uneven across business groups, resulting in different influence strategies, and different decisions about whether to invest in *lobbying activity*. Important characteristics which determine this response are the size of firms, and the economic concentration of activities at a transnational level. These characteristics are particularly important in considering why firms adopt both collective and individual influence strategies simultaneously. The key question is why do firms invest in their own lobbying, despite the presence of professional lobbying through collective interests, and which could be considered more 'legitimate' by decision-makers? Is this simply a reaction to the potential for the dilution of their views?
- **The Centrality of Information Issues:** finally, information is a recurrent theme which underpins both the opportunities for influence, and the response to those opportunities by firms. Influence is essentially about bargaining and negotiation, where information can be critical to achieving a preferred outcome. In this context it is about the use of information to achieve favourable decisions by government decision-makers. Any information carries a cost in terms of its acquisition and presentation however, whether this links to individual or collective lobbying action. Also, for certain firms, the importance of acquiring information through the political environment (and being able to respond to that information) may be a source of competitive advantage, and help to explain the multiple strategy adopted by some firms, and the wide span of their information gathering and influencing activities.

1.5 Approach and Outline of the Thesis

There are two levels of investigation contained within the thesis. The first considers the political environment, the development of political institutions and policy competence within the EU, and the growth of influence activity. The insights

provided by this first level of analysis are then used to provide the framework for a more detailed consideration of the two sectors.

The first level of analysis draws from existing literature, but also contains new information provided through interviews with companies and interest groups. General trends in lobbying are examined within this context as a backdrop to the more detailed sectoral investigation.

The second level of analysis concerns the specific response of particular sectors to the EU political framework. It does not solely concentrate on collective action through associations, but looks at both *firm* behaviour and the sector pattern of influence, taking up McLaughlin, Jordan & Maloney's point about the primacy of corporate interests (McLaughlin et al, 1993, pp 25-26). Two contrasting sectors have been chosen for examination. The first sector study (road freight) represents new research. The second sector (ethical pharmaceuticals) draws on existing literature supplemented by interviews with company representatives and interest groups which give new insights into influence strategies and lobbying.

Although there are often problems with the definition of a 'sector', sectoral analysis has been used in order to capture both the individual and collective influence strategies of firms - to show the 'map' of interests and their relationships with EU decision-makers. In addition, policy issues are often sector-specific, as chapter 2 will show. There is evidence from a number of sources in lobbying and collective action literature that industry characteristics and the competitive relationship between firms in the same product/service market are important factors in shaping a company's influence strategy. This suggests that the sector is a highly appropriate unit of analysis. The two-level approach for the thesis is reflected in the structure outlined in figure 1. A more detailed methodology for the sectoral studies appears in chapter 5.

Chapter 2 examines the rationale for lobbying activity. This provides the basis for the overall approach to the thesis by identifying the importance of the opportunity for influence in a political context, the potential advantages of exploiting these opportunities from a competitive point of view, and the importance of industry structure and competitive environment on influence strategies. Chapter 3 reviews the opportunities presented by the development of the EU and its institutions and policies and the particular characteristics of the decision-making processes which support an increase in lobbying activity. Chapter 4 then examines the evidence of overall business response to the opportunities for influence presented by EU institutions. It considers the various means by which companies can seek to influence, and the range of options

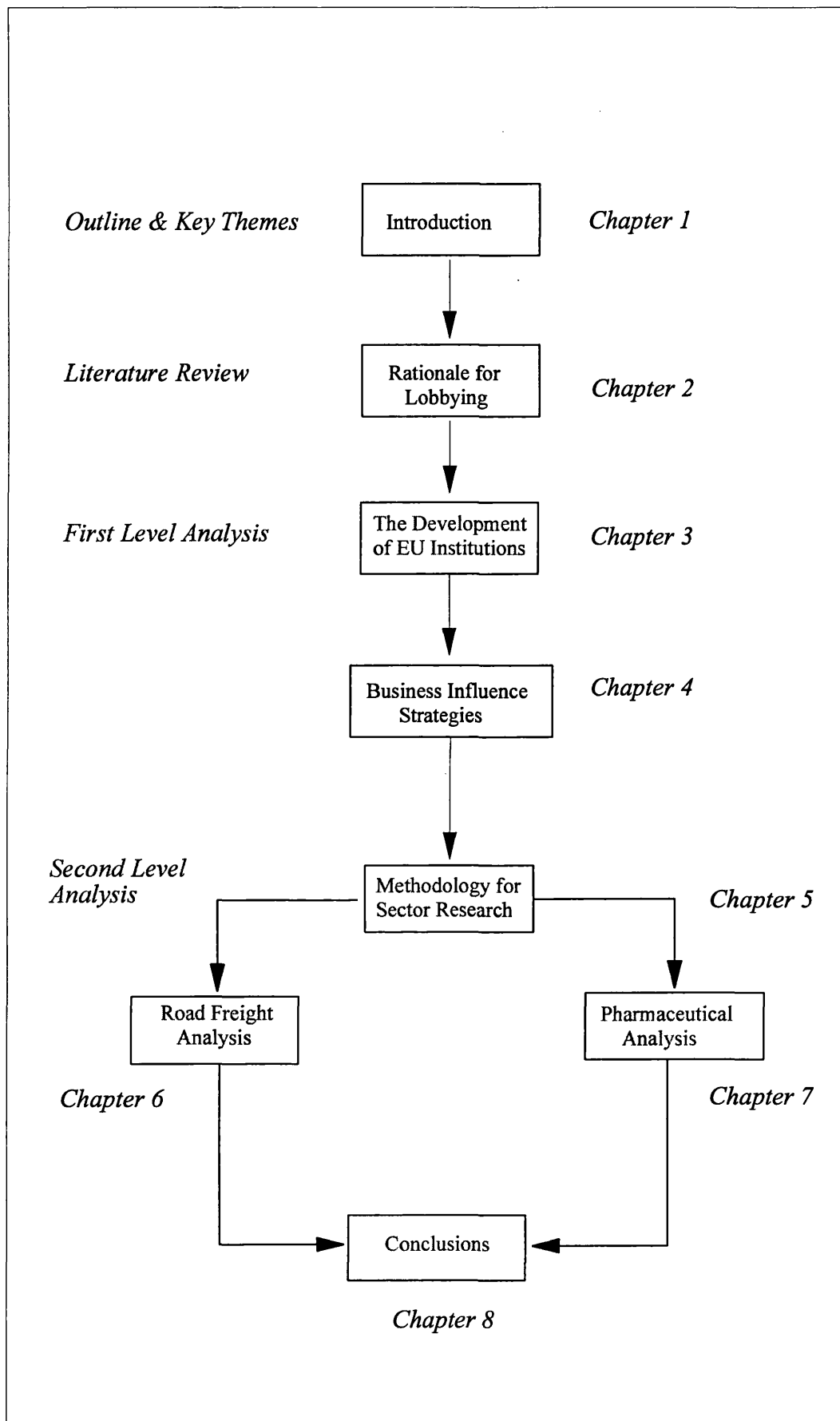


Figure 1 Structure of the Thesis

open to them, in preparation for a more detailed examination of particular business sectors. This maps the range of participants within the lobbying arena which seek to influence decision-makers, both individual companies and interest groupings, and the institutions they target.

Chapter 5 describes the research strategy applied to assessing the development of influence within different sections. The information on the Pharmaceutical industry is developed from existing research by Greenwood and others, supplemented by interviews with key industry representatives, which allows new insights into this sector to be developed. However, the information on Road Freight is the major contribution of the thesis.

Chapters 6 & 7 contain descriptions of the two sectors in terms of the industry structure and their competitive environment. It assesses EU policies relating to each sector, company influence strategies, and the organisation of influence within the sector.

Chapter 8 draws out the main conclusions from the sectoral research. The comparison of the two sectors addresses two main themes: how influencing strategy has evolved in response to the EU in each sector, including the individual company and collective approach to influence, and how industry structure and competitive environment help shape sectoral response.

The comparison between the two sectors is used to explore the reasons for the differences which emerge. It concludes that there has been a shift in the focus of lobbying strategies to the EU in both industries, although national government still remains an important target for influence in its own right. For companies, the use of strategies involving the use of direct lobbying, and in particular what Greenwood refers to as the 'Brussels Strategy' (Greenwood, 1992, p.28), is the prerogative only of large organisations with significant transnational interests. It also demonstrates that their lobbying activities do not remain sector specific, but can be seen to extend to information gathering and influence within other sectors, such that they can affect the collective influence strategy of those sectors. They thus appear as catalysts for change not just within the confines of their own sectoral environment but within a much broader industry context.

Seen within the context of the industry structure and competitive environment, information appears to be of critical importance. The opportunities that EU government institutions present for informational advantage for firms may help to

explain preference for the '*Brussels strategy*' (Greenwood, Grote & Ronit, 1992, p.23). The need for information appears to be the critical factor in explaining why some firms will continue to invest in their own lobbyist regardless of the strength or weakness of collective lobbying capability. Although this thesis is not primarily concerned with debates about 'pluralist', or 'corporatist' nature of the EU political environment, it does suggest there are likely to be more opportunities for diverse interests to influence, than within a national (at least UK) context. This relates to the information needs of policy-makers, and the complexity and uncertainty of processes and outcomes within the current political structure. Thus 'direct' lobbying by firms as an influence strategy is likely to remain a feature of the network of interests which continue to develop around EU institutions, including large, multinational organisations.

Chapter 2

The Rationale for Business Interest Lobbying

2.1 Background and Assumptions

Literature on EU lobbying tends to concentrate primarily on the how influence is organised, rather than the costs and benefits of the influence itself. However, this chapter draws on contributions which focus on the reasons for influence (rent seeking, transaction costs & management theory literature) as well as how that influence is organised. This does not mean that political science literature, for example, ignores the reasons why companies lobby, just that the emphasis tends to be on questions of organisation rather than the rationale.

The following section reviews various contributions on influence, the costs and benefits of influence activity, and closely related to this, the organisation of lobbying activity, in order to present a more comprehensive view. This is used to provide the basis for the approach to the investigation of the lobbying opportunities presented by the EU, and the response of different firms and business sectors, which follows in subsequent chapters.

The assumption stated in chapter 1 is that companies behave as 'rational' actors' in that they make decisions based on the costs and benefits of proposed activity. The rationality may be bounded, i.e. they may not always have all the information necessary to make the best decisions about activities, and they may not be obviously wealth-maximising in the classical economic sense, but they are rational in that the set of costs and benefits they perceive will be balanced. Influencing activity has a cost and benefit just as decisions about the use of technology. The important difference within the context of lobbying, is that the costs and benefits equation takes place within a *political framework*, that is, where government institutions define the rules of the game. The game, in essence, is negotiation (Wallace & Wallace, 1996, p.33). We should expect therefore that influence strategies will reflect the relative costs employed to achieve benefit through various negotiating processes. Before any negotiation can take place however, there must be opportunities for influence, and the next section seeks to outline why these occur, and the nature of the costs and benefits associated with different influence strategies.

2.2 Influence Opportunities and Costs

2.2.1 Decision-Making, Influence and Information

Treatment of the costs and benefits of influence, are found in the development of transaction cost economics (Williamson, 1985; Miller, 1992; Milgrom and Roberts, 1990, 1992; Taylor & Singleton, 1993). Transaction cost economics maintains that in addition to the costs of production and distribution, the processes of deciding, negotiating, changing plans, re-negotiating, and influence are a cost to firms. Important components of these costs are the costs of gathering and assessing information in order to make efficient decisions.

R. Coase first developed the idea of transaction costs as part of a theory of the firm (Coase, 1937). Coase posed the question that if markets present the perfect way of organising transactions, then why does the firm exist? He maintained that the fundamental problem with classical economic theory was that it assumed exchange processes were costless. What Coase pointed out was that this assumption did not square with reality. 'Exchange' processes do not occur in a vacuum. They occur in circumstances typified by uncertainty, where two parties to an exchange may have different information, and where both parties know the other may use this information to gain an advantage in the exchange. Information advantage therefore opens the door to opportunistic behaviour. Transaction costs are the costs therefore of information acquisition and information control associated with 'exchange' situations. Coase went on to propose that the hierarchical arrangement represented by the firm (as opposed to market), is a means of controlling these costs by lowering uncertainty.

This insight was developed further by Williamson, who maintained that the modern firm structure could be interpreted as a means of economising on transaction costs, linking this in particular to the development of the multidivisional (M-form) corporation. His analysis was based on developing a more detailed understanding of the exchange process itself. Bargaining, negotiation, and influencing are pervasive throughout organisations, and the organisation's response to managing these activities will depend on three key factors: uncertainty, frequency and asset specificity. These shape contractual agreements. Williamson does not rule out the presence of other factors, such as technology, but the main contribution for the purpose here is the identification of information needs as the cost factor in negotiation, and the role of differences in information, as the creator of potential advantage in negotiations for one side or another.

The same theme is explored by Milgrom & Roberts who argue that influence activities arise because decisions are required which carry consequences in terms of costs and benefits to members of an organisation. It follows therefore that decision-making processes are potentially subject to attempts at influence. The influencing process itself involves a diversion of resource, either on the part of the individual or group, within the context of a firm, in order to acquire the desired decision from decision-makers, usually the 'management', and within it the desired distribution of resources in one form or another. The key factors which determine how far decision-makers are susceptible to influence, lies in their need for information in order to make efficient decisions. In real life this information may only be accessible through referring to those parties which have an interest in achieving specific outcomes. This imbalance in information between the decision-maker and those seeking to influence has been referred to as 'information asymmetry' (Milgrom & Roberts, 1992, p 29). The greater the information asymmetry, the greater the opportunities to influence decision-makers.

Milgrom & Roberts develop this idea within the context of the firm. However, they also make explicit the parallel between this context and the public sector (Milgrom & Roberts, 1990, p.86). The same parallel is drawn by Miller, who also points to similar issues in relation to governmental decision-making *'The basic problem is that the information that is necessary to guarantee an efficient outcome is essentially private'* (Miller, 1992, p.49). This is despite the fact that government may have the authority to force a particular outcome to a negotiation, thus echoing the earlier definition of power by Stephen Lukes. The basic problem is still information asymmetry, whether decisions are taken within the context of a firm, or alternatively, by a government.

The core contribution of the above authors to an understanding of influence activity is the centrality of information issues in relation to influence. The bargaining strength of each party will be determined in part by the degree of information asymmetry, not just by the power of each party as determined by the political framework. Within the context of this thesis therefore, the argument would be that where firms have private information of value to political decision-makers, then the costs of expending resource on influence activities are more likely to be repaid. These costs are the costs of information acquisition, assessment, formulation, and use in negotiation.

The concept of information asymmetry echoes much descriptive treatment of the 'lobbying arena' in Brussels, as chapter 3 will show. It suggests that EU institutions have created greater lobbying opportunities by virtue of the scale of their central decision-making authority and the particular information asymmetries which arise from the structure and resources at the disposal of decision-makers within the EU.

2.2.2 Government, Business Interests & the Control of Uncertainty

The application of the concept of information asymmetry within a wider setting involving government and business is made by both Milgrom & Roberts and Miller, though their main focus, like that of Coase and Williamson, is on the internal organisation of the firm. Williamson in particular makes a clear distinction between what he sees as the 'political' and 'economic arenas' (Williamson, 1985, pp 124-5). However, another strand of thinking challenges this separation and makes explicit the linkage between political and economic institutions. It proposes that these two domains overlap (North, 1990). In addition to government providing a framework for economic activity, it is also an economic actor in its own right (Lindberg, Campbell & Hollingsworth, 1991).

North proposes that firms do not just attempt to reduce bargaining effort and thus the costs associated with this, but they also seek to manage what he calls the costs of uncertainty. His thesis is that the *'major role of institutions is to reduce uncertainty by establishing a stable, if not efficient, structure to human interaction.'* (North, 1990, p.48) By institutions North refers not only to government structures and other official organisations but also the constraints, formal and informal that exist within society. This encompasses both legal rules and cultural norms.

Thus while political institutions form the framework within which the economic interests of various groups are played out, part of the purpose of the influence activity of economic groups will be to try to shape both the agenda and the political structure. *'Broadly speaking political rules in place lead to economic rules though the causality runs both ways. That is, property rights and hence individual contracts are specified and enforced by political decision-making, but the structure of economic interests will also influence the political structure'* (North, 1990, p.48). It follows that organisations with sufficient bargaining strength will use political institutions to achieve objectives when the payoff for maximising in that direction exceeds the payoff for investing within existing constraints. They will seek to influence not only what is done, but also how it is done. There is reciprocal activity between political institutions and economic or business interests which extends beyond the influence on particular decisions, to transformations in the way in which the relationships between the political and economic interests operate. The implication here is that it is not just the policies themselves that they seek to influence but the interaction with the institutions themselves.

The arena within which influence activities take place, and where interests may seek to change the rules to their advantage, exists within the overlap between political and economic arenas. Lindberg, Campbell & Hollingsworth also develop this idea of reciprocity within the concept of 'governance structures'. 'Governance structure' may apply either to the economy as a whole or industrial sectors and is defined as the matrix of organisations and the relationships between them in order to 'develop, produce, and market goods or services' (Lindberg, et al, 1991, p.7). Included in these are bodies such as industry & trade associations. Lindberg, Campbell and Hollingsworth use the work of North and Williamson as a starting point for their argument that transformation in the governance of economies result from both economic, technological, political and cultural change. They maintain, like North, that the separation of the political from the economic arena is invalid and that notion of 'state intervention' in the economy is too simplistic, particularly in the context of defining why particular governance structures emerge or change (Lindberg et al, 1991, p.365). Their main proposition is that governance transformations occur not only as a result of actors being unable to efficiently acquire the resources and information they want, but when they cannot control satisfactorily the terms of exchange. The key point is that the greater the *complexity* and *uncertainty* surrounding exchange, the more likely this will generate efforts to manage the exchange process and the relationships which underpin these in a different, more satisfactory way. That is, a way which reduces the uncertainty of outcomes.

Like North, Lindberg, Campbell and Hollingsworth maintain that political institutions matter, and have a powerful influence on the governance structures within which economic and political actors pursue their objectives. However, they also argue that government, as an actor in its own right, may pursue goals which will make the some relationships with business interests more salient than others. Some industries are more important than others, depending on the goals that are being pursued, and their ability to provide competitive advantage. This in turn may create a differential in the opportunities for influence, but may also affect the governance structure of which that industry is a part. For example, Lindberg & Campbell note the connection between the concentration of industries and preference for bilateral exchange, against multilateral exchange involving, amongst other things, support for collective representation. Although the focus is on the link between State actions and the propensity, or not, for associative action, the connection with the concentration of the industry is an interesting one in this context (Lindberg & Campbell, 1991, p 370). It re-occurs in other literature, pointing to the importance of industry concentration on the behaviour of firms' political activities.

If Coase, Williamson, and Milgrom & Roberts point to the role of information asymmetry in creating the opportunity for influence, then North, Lindberg, Campbell and Hollingsworth confirm the importance of the characteristics of the political framework in shaping the interaction of economic actors with government agencies. These relationships may alter due to changes in the goals pursued by government, and therefore the political salience of particular industries. They may also however, alter due to the *needs of economic actors* to manage the level of uncertainty within their environment. Political, economic, technical, or cultural changes may all increase uncertainty. What emerges from economics and organisation literature is a linkage between information, uncertainty and complexity. This is a key linkage which will be explored in subsequent chapters, in relation to the characteristics of EU political institutions and processes.

2.2.3 Summary: Influence Opportunities & Costs

To summarise, transaction cost economics concludes that opportunities for influence exist where there are information differences between two or more parties to an exchange. In practical terms, 'exchange' may take many forms, between individuals, between companies, between company management and work force, or in this context between government decision-makers and firms.

What this literature also shows however is that the attempt to influence takes place within a context of government's role as both a political structure, but that within this structure, government is an economic actor in its own right. Therefore it both establishes the rules, and seeks to use these to further its own aims in the form of policies. These policies may determine the particular importance of various industry activities, and therefore the political salience of individual industry sectors.

Political institutions and their policies create the opportunity for influence. This is not just through their ability and authority to intervene in the activities of individuals, or groups and to allocate power and resources as they see fit. The opportunity exists because decision-makers are reliant on information in order to make decisions. They are reliant on others who may have a vested interest in certain outcomes, and also have the power to misrepresent information to obtain certain favourable outcomes. Any centralised decision making therefore, invites influence, because it creates opportunity through this *information asymmetry*.

Uncertainty, complexity of issues and the information required to support decisions may determine why political institutions and the policies provide greater or lesser

opportunities for influence. However, the creation of influence 'opportunities' does not mean that these will be taken up. There are costs attached to influence activity, as Coase (1937) and Williamson (1985) have indicated. There are dependencies on (i) the relative costs compared with the nature of the benefit to individual firms and (ii) the ability of firms to co-operate to provide more cost-effective collective approaches to representation. If lobbying is a form of exchange between governmental agencies and firms (either acting individually or collectively), then its cost derives from the costs of information acquisition, assessment, and the presentation of information. The costs associated with capturing benefit may be direct or indirect. Direct costs are costs of financing lobbying activity - the cost of acquiring and assessing information, the cost associated with presenting information to decision-makers, and the negotiation which ensues. In addition it may be the cost of co-ordinating representation with other firms (see figure 2). It is also a cost of diverting the required resource from productive activities, to influence activity.

Either way, the costs must have appropriate payback for individual firms, or firms acting collectively. The next section therefore looks at some of the benefits that may be captured from influencing government, and more specifically, lobbying activity by firms.

2.3 The Benefits of Influence

Transaction cost economics and the thinking which has developed from it, identifies the importance of uncertainty, complexity and associated information issues as factors which shape the opportunities for influence, and the nature of the costs associated with capturing those opportunities. However, in order to provide a more operational basis on which to study the behaviour of firms and sectors, the next section examines some of the specific benefits companies may capture through expending resource on influence activities. This draws from other literature: political science; rent-seeking; management theory; and theories of co-operation among firms. Having identified why opportunities arise, the costs associated with these opportunities, and how they may be shaped by the political environment, it attempts to provide a closer look at the benefits that firms may attempt to capture through influence either collectively or as individuals. These contributions echo the centrality of uncertainty, complexity, and information issues as key drivers for influence activity. They also provide some clues about why individual organisations may choose to invest in *lobbying* within the EU as part of their influence strategy.

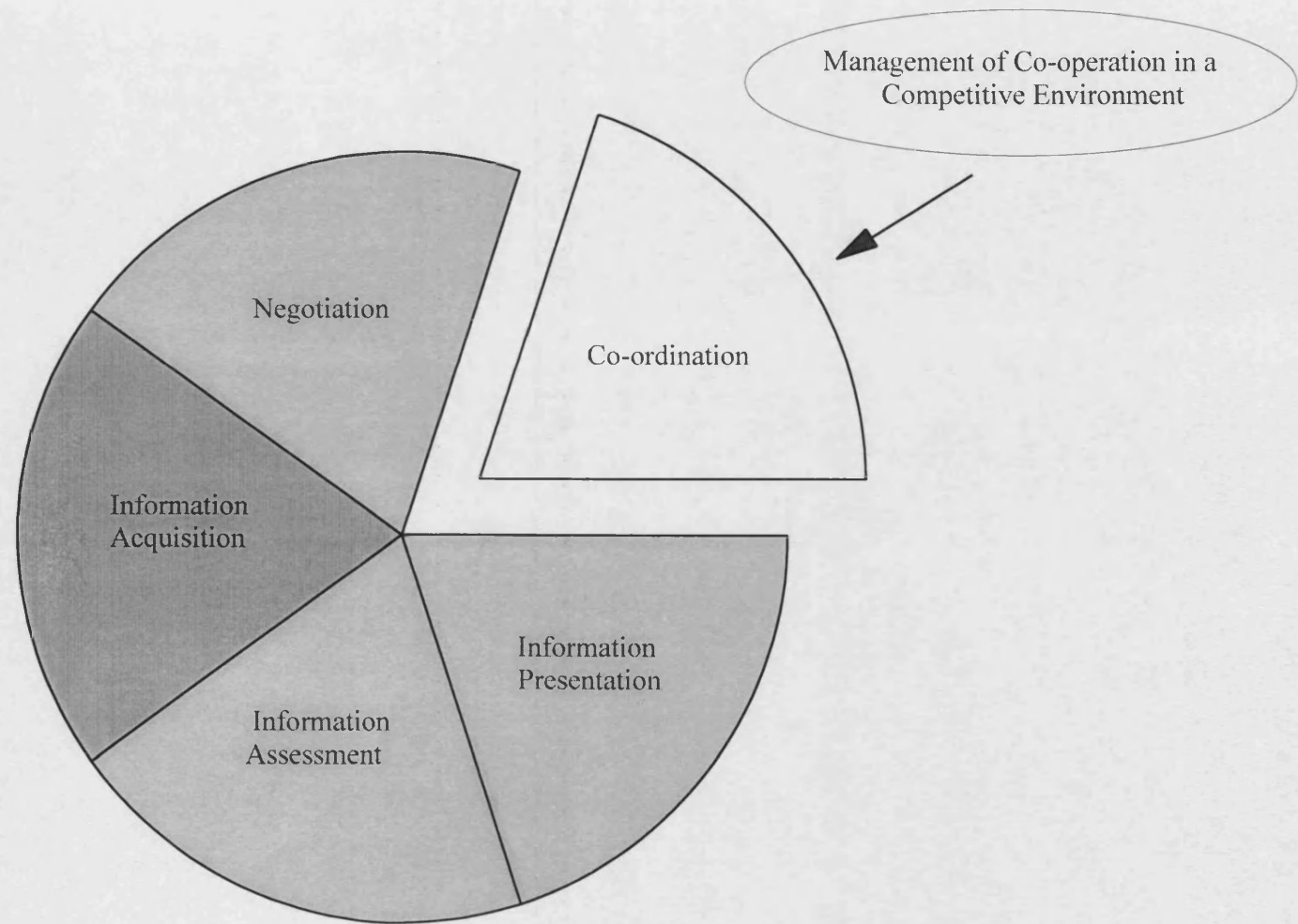


Figure 2 The Cost of Influence

2.3.1 Trading Environment Protection or Enhancement: Regulation

Much of the recent work on lobbying activities in the EU has emerged from the work of political scientists. The development of the European Union has created this interest not only because there appears to be a process of 'State' formation in progress, (Grant, 1990, p.2) but also because this process appears to have been accompanied by a very visible increase in lobbying activity directed towards newly emerging governmental institutions. EU lobbying literature concentrates on three levels. First: general trends in business (and non-business lobbying), which shows how the activity has developed, and the extent of lobbying; second, detailed sectoral studies of business lobbying and individual case studies which examine lobbying issues, for example, the lobbying efforts of express freight carriers over postal monopolies in Europe (Campbell, 1994, p.123). The main focus however, has been the development of EU institutions, and the importance of increasing EU policy competence. It is also about the relationship between these factors and certain key characteristics of individual sectors which produce collective action of varying degrees of cohesion at a European level. Hence questions of whether the relationship of business interests to EU government machinery is more 'pluralist' than 'corporatist', and why some national interest groups are more successful than others at formulating interest representation at European level, have occupied much of this literature.

In seeking to address these and other issues, the literature focuses on two main levels. The first considers general trends in lobbying behaviour and focuses particularly on the characteristics of the institutional environment, the 'rules of the game' in negotiations between decision-makers and business or non-business lobbies (Mazey & Richardson, 1993a, 1993b; Andersen & Eliassen, 1993). The second, more extensive treatment of lobbying focuses on the sectoral patterns of lobbying behaviour, i.e. it is predominantly about the organisation of interests within the EU and how this has developed (Greenwood, Grote & Ronit, 1992; Jordan & McLaughlin, 1991; Cawson, 1992; Pedler & Van Schendelen, 1994). There are some examples of individual lobbying 'cases' (Pedler & Van Schendelen, 1993, pp 23-199) but the predominant approach is sectoral.

What emerges from these complimentary treatments of lobbying is the complexity of decision-making processes across EU institutions, and the relative uncertainty of outcomes due to the interplay of national and sectoral interests (Mazey & Richardson, 1993a, pp 22-23). Another characteristic of EU institutional arrangements is decision-makers openness to contact. The EU political environment is characterised by complex bargaining processes played out in an arena where the information-processing

capabilities of decision-makers are tested to the full. As a result, there are many opportunities for influence due to this openness, which is created by the need for information in order to make decisions and the need for these decisions to be accepted. *'The very nature of central EC institutions implies that they have different mandates and roles from those of institutions in the national systems....This particular type of system has a greater need, not only for the expertise of interest organisations, but also for contact and acceptance by affected interests, in order to safeguard its legitimacy in relation to society'*(Andersen & Eliassen, 1993, p.21). The fundamental point which emerges is that the political institutions themselves are key determinants of influencing. The institutional framework within which influencing takes place affects the behaviour of participants, providing the context within which they operate through the definition of formal and informal rules, thus supporting earlier contributions from North, Lindberg, Campbell & Hollingsworth.

The institutional framework is not, however, the only determinant, as sectoral studies show. Policy competence and policies also matter, and this is the starting point for much of the sectoral work on lobbying. Both Greenwood & Ronit, Cawson, and McLaughlin each start their respective analyses of the pharmaceutical, consumer electronics and motor manufacturing industries by using Lowi's statement that 'policies make politics' i.e. that the nature of the policy will affect the political processes which surround its formulation. Greenwood (1992, pp 1-41) shows how pharmaceutical industry interests are organised against the background of European regulation of pharmaceuticals and discrete areas such as medicine pricing and marketing authorisation. Cawson (1992, pp 99-117) examines the consumer electronic industry in the context of European Technology policy, and McLaughlin *et al* consider the car industry (McLaughlin, Jordan & Maloney, 1993).

Policy formulation and the ensuing regulatory activity of EU institutions thus form the focus of sector-based investigation into interest group representation in the EU. The sectoral approach is justified as it more often than not represents discrete areas of economic activity and hence focused areas for policy formulation, but it is the policy context which is seen as a key determinant of the organisational form of interest representation. This is explicitly drawn out in Cawson's work on consumer electronics (Cawson, 1992, p.101).

The underlying reason for lobbying which this literature supports is therefore twofold: (i) the existence of particular institutional characteristics which facilitate the influencing activity of firms, coupled with the development of policy competence and (ii) the

regulatory powers which may result in 'political interventions' in the economy (Grant, 1991).

These interventions may take many forms; specific regulation, taxes, tariffs, production of public goods and services, or the broader allocation of resource across wide ranging social and economic sectors of society (Pedler & Van Schendelen, 1994, p.4). The response of firms, and their influence activities can be aimed at timely compliance with regulation, damage limitation, improvement or safeguarding of the trading environment, or new business opportunities (Sargent, 1993, pp 232-245).

In conclusion, this literature focuses on the power of intervention in the economic environment of firms, the nature of the policies which governments pursue, and the regulatory and resource allocation activities of government. This rationale underpins much of the sectoral studies on lobbying activity in the EU (e.g. Arp, 1991). With the possible exception of 'new business opportunities' these are largely concerned with the protection or enhancement of the trading environment, rather than about the potential for the capture of individual benefits by the firm. What it does not do is look at how particular firm strategies may link to types of benefit. Other literature however, makes this link more explicit.

2.3.2 Rent-Seeking and Rent-Capture.

If the threats or opportunities posed by particular policies or regulations provides a key focus for much EU lobbying literature, another perspective has emerged from a different literature - research into monopoly. From this the idea of 'rent-seeking', and rent-capture has emerged. Here the context is the cost to the economy and to society as a whole, of influence activities undertaken by firms or business interest groups in order to capture 'rent', typically in the form of monopoly, cartel, state aid, or tariffs.

The concept of 'rent-seeking' was developed by writers such as Krueger (1964) and Tullock (1967). The general notion is that the interventions of government in the economy create 'rents'. A rent is defined as an additional advantage gained over and above those generated by productive activities in a competitive market. Rents typically occur as a result of many types of intervention, and traditionally take the form of monopolies, tariffs, and state aid. Where these rents exist, individual firms or groups of firms will become involved in influencing activities in order to obtain these rents for themselves, and also to prevent others from obtaining them. The idea of disbenefit to others is an important aspect of the definition. Rent-seeking according to Tullock's reasoning, is a cost to society as a whole. This is the cost of influencing activity, which

may cause the distortion of decisions, and therefore suboptimal solutions for society as a whole. Although costs to society are not the focus of this thesis, rent-seeking literature provides an insight into a particular benefit which is the appropriation of wealth, rather than the production of wealth, by firms. An important question which arises from this is whether all lobbying is in fact rent-seeking behaviour on the part of firms.

Tullock's view is that 'lobbying' is not just about rent in the sense defined above. He points out for example that it may be possible for lobbying to be directed at the prevention of rent-capture by companies or groups of companies. The example of the British Shippers' Association's response to the shipping companies actions, discussed in chapter 6, illustrates this type of action. Also, unless the concept of rent-seeking is extended to cover not only traditional manifestations of 'rent' such as monopoly, cartel, tariffs, or aid, but also to cover information, this is too simplistic. Rent-seeking is *one* of the reasons why companies or group of companies may expend resource in attempts to influence government, but it is not the only one.

2.3.3 Information for Competitive Advantage.

A further area of potential benefit emerges from management and organisation theory. Porter, Doz, Mahini & Wells (1986) identify the particular importance of interaction with government agencies for one particular group of firms - those with transnational operations. While these writers are not specifically interested in lobbying, they provide insights into the importance of information to these firms, and the potential for government agencies to supply this information.

These benefits are particularly relevant to firms operating transnationally. This often implies firms operating within a concentrated industry sector. Information Technology, Pharmaceuticals, Motor Manufacture and Chemicals are good examples. Firms within these sectors face high levels of uncertainty through working within different political, social and economic contexts, and the attendant co-ordination problems associated with this. The tasks of developing the right configuration and co-ordination mechanisms - the location of activities, the methods for controlling these - may be the key to competitive advantage over a small number of equally large and powerful competitors. Porter argues that in this context a *government relations* function gains in importance for such firms. This importance lies both in access to information, and in the ability to exercise power through influence. While lobbying may therefore traditionally be regarded as the exercise of influence, what underpins the activity is seeking or giving access to information which may not be otherwise obtainable. Such

access is easier to obtain with the establishment of relationships with government decision-makers and agencies through investing in lobbying activity.

The idea of information as a competitive benefit in its own right is also noted by Bartlett and Ghoshal (1989, p.102) again within the context of large, multinational organisations. The context of their work is the organisational development of multinational firms. Access to information provides one of the keys to competitive advantage. By implication however, this is an individual firm benefit, an advantage to be gained against other competitors in the market place. Obviously it is possible for information to be a collective benefit. For example, in the case of proposed government legislation, early knowledge of government intentions may allow pre-emptive action by business interests where proposals are felt to be harmful. Firms may also obtain collective benefit from the contact with each other, whilst avoiding possible action from government on the grounds of anti-competitive practice. Both within the United States, and more recently the EU, anti-trust regulations have been applied to ensure competitive conditions exist within industries. Participation in consultative fora may therefore allow firms legitimate access to information from government, and also facilitate inter-firm contact and information exchange. The importance of the point that Porter, Doz, Bartlett and Ghoshal make, is that information is not only a benefit in its own right, it may also provide *individual* firm advantage.

2.3.4 Market Stabilisation.

A further target of lobbying emerges from research into the collective action of firms in order to manage their competitive environment. Bowman (1988) and Galambos (1966) have shown that firms within particular environments may actively seek intervention by the State in order to stabilise their own competitive environment, and thereby create less uncertainty in trading conditions. Bowman's study of the bituminous coal industry in the United States, shows how the industry structure, the large number of small firms, and emphasis on price rather than differentiation of its products engenders fiercely competitive behaviour. This combined to make co-operative behaviour amongst firms extremely difficult. The alternative to self-management within the sector was to invite government to provide the stability through regulation. Bowman uses game theory to explore the various issues which faced this industry over a period of time, noting that it is industry characteristics which will drive the ability, or not, to gain the advantages of co-operation.

In a different context Gerlach (1992) also identifies the need for market stabilisation as the rationale behind the inter-firm alliances formed by Japanese companies. The co-operative behaviour here is aimed at the improvement of their own social and economic

well-being through managing the competitive environment in a particular way. The complex system of alliances formed around large corporations has emerged from the dramatic social and economic transformations during the post-war period and, Gerlach argues, these have enabled firms to become particularly successful in overcoming the challenges of this transformation and events such as the oil crisis.

These studies show the importance to firms of reducing the uncertainty of their competitive environment. What it also shows is that the particular industry structure, and the competitive relations between firms may or may not facilitate the co-operation necessary to achieve sufficient market stabilisation. Clearly, the cotton manufacturing and bituminous coal industries were less successful at resolving this dilemma than Japanese industries. Where firms are less successful they may invite government intervention in order to achieve the same end, usually in the form of regulation, thus again highlighting the importance of the management of uncertainty by business interests.

2.3.5 Business Opportunities

A final category of benefit which firms may attempt to capture can be overlooked in the lobbying context. This is the capture of specific business where government agencies are potential customers. Defence procurement, is an obvious example of this. However, government agencies are consumers of a whole range of products and services from photocopiers, to management consultancy, and these can represent substantial commercial opportunities for firms. The EU is no exception to this, though compared to some national government arrangements it represents a relatively small bureaucracy and potential market. Governments also create business opportunities in pursuance of particular policies, and while these may be handled through tender processes, or bids for research funding, the chances are that they will also attract varying degrees of lobbying to support individual business objectives. The importance of government as a source of potential business within its own right is noted by Kay (1993). He cites the case of BP, for example, where the company *'depends on government to license its exploratory activities, it pays handsomely for these rights when the outcomes are successful and its operations are an important source of government revenue in many of the jurisdictions within which it operates. The effective management of public affairs is at the very heart of the business of BP'* (Kay, 1993, p.186). Government therefore can act as both the giver, or gatekeeper to such business opportunities.

2.3.6 Summary: The Benefits of Influence

To summarise the above contributions, the potential benefits that can be captured through lobbying are: trading environment protection; market stabilisation; rent capture; business opportunity; and information for competitive advantage. These are shown in figure (3).

Trading Environment Protection/Enhancement: Companies may lobby in order to prevent legislation which will affect their operational costs, restrict markets or have other effects which have the potential to reduce profits. They may seek regulation in order to prevent similar effects from other economic and social changes, or take advantage of changes in policy to enhance their trading environment. This latter objective overlaps with rent seeking activities, but may not necessarily be synonymous with it (Sargent, 1993).

Market Stabilisation: companies may lobby in order to encourage government to regulate to create a more stable environment, with less uncertainty, where they cannot achieve this independently (Galambos, 1966).

Rent: companies or groups of companies may be seeking to achieve rent in the form of tariffs, aid, or ultimately monopoly. They may be seeking to protect such rent opportunities, or on the other hand, seek government intervention in order to prevent or destroy such tariffs, aid, or monopoly (Tullock, 1967).

Business Opportunities: governments may create business opportunities for firms as potential purchasers of products or services. Defence and IT are two prime examples. They may also create opportunities for offsetting operating costs if they are part of strategic sectors. The funding for research and development programmes (for example RACE or ESPRIT) within the EU are good examples of this. Governments may also act as a gatekeeper to business opportunities (Kay, 1993).

Information: at individual firm level, companies may be seeking information to assist strategic internal configuration and co-ordination decisions. This may not only be information from government sources, but the interaction with government agencies may also provide a forum for interchange of ideas and information with 'competitors' which may otherwise be deemed illegal under anti-trust regulations (Porter et al, 1986; Bartlett & Ghoshal, 1992).

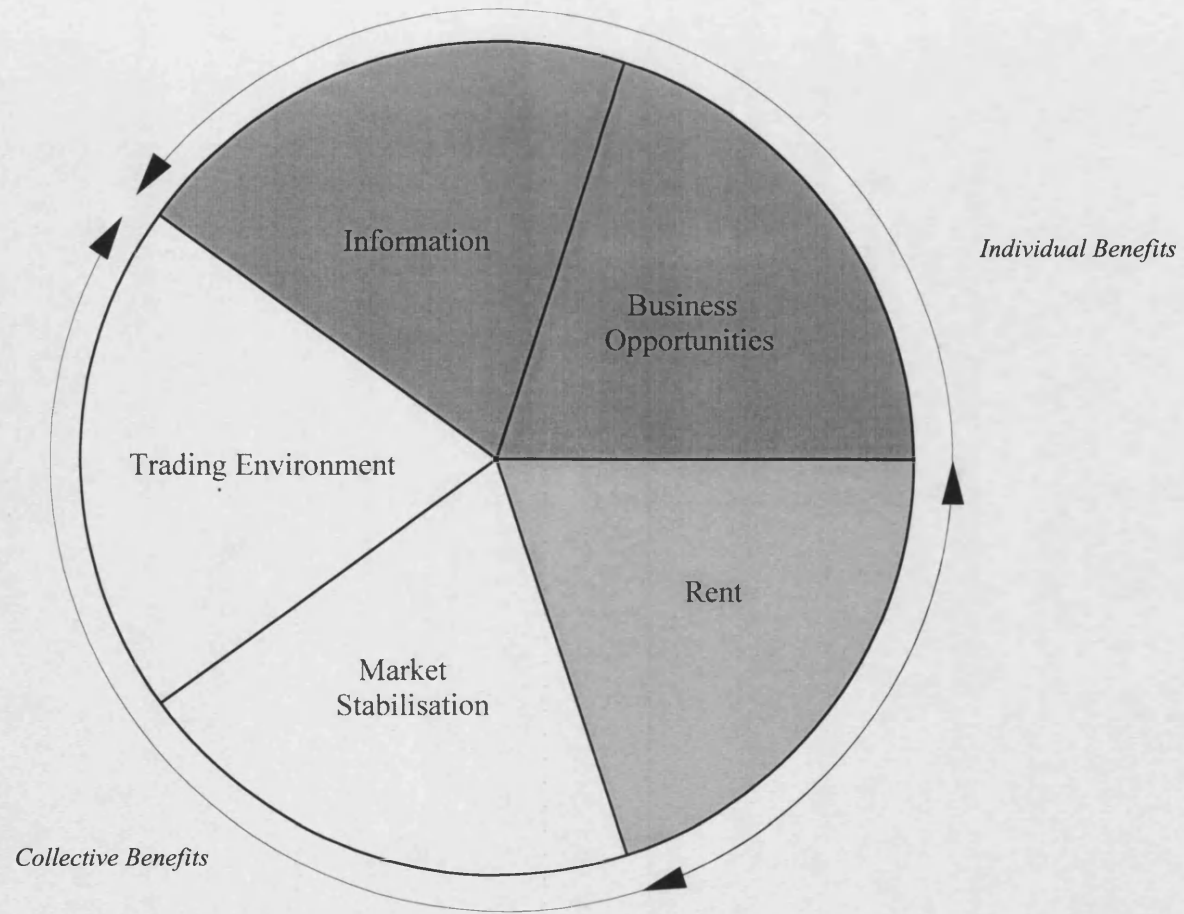


Figure 3 The Benefits of Influence

Some of these benefits are collective, while others are firm-specific. Information to achieve competitive advantage and the development of business opportunities are individual firm benefits. Trading environment protection, rent capture or maintenance may have individual or collective benefit potential. For example a monopoly or cartel may capture 'rent'. Finally, market stabilisation is by its nature a collective benefit (though this does not imply that all members of the collective will equally benefit). This approach builds on the idea that companies primarily lobby in order to instigate, amend or repeal regulations. This may be *the means* to achieve the benefit (protection of the trading environment, rent etc), but it is not *the end* in itself. Regulation is one of the means by which governments operationalise their policies. These policies may present certain threats or opportunities to firms, industry sectors, or industry as a whole.

Policies and regulations therefore form the focal point for influence activities. However, the potential benefits identified with lobbying activity suggest certain important dimensions which may be key to understanding not just why lobbying activity at a general level occurs, but also why, as an influence strategy, it is more characteristic of some firms, and industry sectors, and why it may be organised in particular ways.

2.4 The Organisation of Influence

If influence strategies and lobbying may have several different aims from the point of view of an individual company, another dimension is added in terms of how that influence is exercised. Lobbying is not just about the potential benefits that individual firms may gain from diverting resource into influencing governmental agencies. It is also about how they choose to do this, in particular whether they choose to exert influence as an individual organisation or to act collectively.

2.4.1. The Costs of Co-ordinating Influence

As earlier sections established, influencing activity involves a cost. Even within the context of lobbying as defined here, *the use of information as a means of persuasion*, there are costs associated with acquisition, targeting co-ordination and presentation of that information. However, another level of cost is added when we consider that individual lobbying activity - the establishment of bi-lateral relationships with decision-makers, is only one strategy that firms can use to influence. Interest group literature shows that even within a national context, lobbying by collective interests is common. Where this occurs, there is still the same cost of information acquisition, assessment,

formulating positions and negotiation, albeit mitigated across the membership of the collective interest, but also the costs of co-ordinating group response. These are internal consultation costs which must be added to other costs associated with individual action. The costs of information acquisition, assessment, formulating positions, and negotiation therefore come in various guises, some related to individual action, others related to the cost of co-ordination involved in collective action.

At a practical level, costs can be annual subscriptions to trade, industry or other associations which 'lobby' government on behalf of their members (often subscriptions are scaled according to the size of the firm). It could be the appointment of an in-house lobbyist or team of lobbyists, fees payable to professional lobbying organisations, or the appointment of non-executive directors to the Board, typically senior ex-bureaucrats. It is clear from these options that firms have a number of ways in which they can seek to exert influence. In broad terms these can be defined as individual or collective strategies, and they carry different cost implications for the company. They are also linked to the nature of the potential benefit that can be captured from influence.

Within the context of the EU, the strategies available are more complex than within a national environment. This is because they may be not only be individual or collective, but individual or collective at either European or national level, or various combinations of these options, as Greenwood & Ronit show in the matrix of interest groups and potential routes to decision-makers in the EU (Greenwood, Grote & Ronit, 1992, p.28),

A permanent lobbying representative based in Brussels can cost upwards from £100,000 per annum (interview:18). It is hardly surprising therefore that EU lobbying literature suggests the majority of lobbying is carried out by '*interest groups*' representing companies. What is clear from this literature is that the full realisation of the potential for influence through collective action does not automatically follow from its general desirability. The development of EU institutions, with an ever increasing scope of legislative competence, may have provided the impetus for the development of EU lobbying capability by business interests. Yet the reformulation of interest groups from national to European level has had varying degrees of success.

2.4.2 Co-operation, Conflict and Collective Action

Collective interest representation may be desirable not only from the perspective that several benefits from the activity are collective by definition (e.g. market stabilisation),

but also because the costs of individual influence activity may be mitigated to individual firms. However, the literature on collective action also shows that while it may be a rational response to the need to influence the political environment, it is not always possible to gain co-operation amongst members of a group in order to achieve such action.

In his study of collective action, Olson singles out business lobbies as the segment of society which has produced the largest number of interest groups. The main thread of Olson's argument is that interest groups, whether business or otherwise, do not spring up spontaneously, and that there are costs, as well as benefits, associated with group activity. He assumes human nature is fundamentally opportunistic and that self-interest will provide the impetus for joining or defection from groups, and the tendency to 'free-ride', i.e. let others bear the costs of the collective action, while still reaping the benefits of their effort (Olson, 1965).

Individuals, or individual organisations are aware of this dilemma, and in order to overcome the problem, groups must, according to Olson, provide selective benefits both to attract members in the first place, and to prevent defection as a result of the 'free-rider' problem. A key insight that Olson articulated was that the size of the group is critical to the extent of the co-operation dilemma he described. Where groups are small, there is potentially more homogeneity, and monitoring for defection is easier. With large groups, usually characterised by more diverse interests, the problem of co-operation is more significant, as the monitoring of defection is more difficult. Olson suggests that in these circumstances, lobbying could suffer by being changed from the prime purpose of the group, to become a by-product. There is certainly evidence that lobbying is not a priority function (to the membership) in certain circumstances, as Bennett indicates in his treatment of British Chambers of Commerce (1995). This fits Olson's argument about the importance of specific benefits in large groups. However, the notion of a lobbying as a 'by-product' is certainly not supported in terms of the picture of collective lobbying activity in concentrated industry sectors described by Greenwood & Ronit, Grant, Cawson, Jordan & McLaughlin and others. The difference may lie not only in the size of the group however, but in the similarity or dissimilarity of interests across the membership. Selective benefits may apply to the small group as well the large (Jordan & McLaughlin, 1991, p.31).

The problem of co-operation/defection identified by Olson has been developed extensively through the application of game theory. Starting from the classic 'prisoners dilemma' model, other types of interaction in conflict/co-operation situations have been developed to explore the factors which contribute to an understanding of group

dynamics. The key point underlying this approach is that the existence of collective interests does not necessarily produce collective action. There are inherent barriers to co-operative action which are determined by the homogeneity or heterogeneity of interests.

A more recent contribution to this approach by Heckathorn (1995) provides an extensive treatment of the types of interaction that characterise co-operation dilemmas. In addition to specifying a comprehensive list of game scenarios, Heckathorn notes the types of barrier to co-operative behaviour as: problems of co-ordination; bargaining over how gains are to be divided; and lack of trust that others will co-operate. The important linkage he makes is between the nature of the 'game' scenario (Prisoners Dilemma, Chicken, Altruist etc) with the relationship of individuals to the decision-making environment, and their *information needs* in order to make good decisions, thus reflecting earlier contributions from transaction cost economics.

Both Olson's work and subsequent contributions from game theory form an important starting point for more specific examination of EU lobbying behaviour, and why it is organised in particular ways. This is because it makes the fundamental point that the existence of collective interests does not necessarily guarantee it is possible to organise collective action. There are also indications that the characteristics of a group are important in determining how successful they will be in overcoming the barriers to collective action. Olson specifically mentions group size, but contributions from other areas of research suggest other key features which may come into play within the business environment.

2.4.3 Co-operation, Conflict and the Competitive Environment

The inherent difficulties of achieving the co-operation necessary for collective action do not occur in a vacuum in the business world. In this context, problems of co-operation are compounded because it is a competitive environment (Bowman, 1988). In exploring the effect of competition on the ability of firms to co-operate, the importance of industry characteristics and competitive environment emerge as key to the organisation of interest. The opportunity costs of co-operation are higher for firms because of their competitive relationships (Traxler, 1991; Van Waarden, 1991; Bowman, 1988; Galambos, 1966). Characteristics which support higher levels of competitiveness, also heighten the problem of co-operation, even when individual firms recognise that co-operative behaviour will bring benefit. Bowman's investigation into the pre-World War II bituminous coal industry in the United States shows how co-operation, which is desirable in terms of market stabilisation, is prevented by the

particularly fragmented industry structure and fierce interfirm competitive relationships this generates (Bowman, 1988). Amongst the US coal producers, co-operation was desirable in order to stop the price-cutting and the low profits generated by fierce competition. However, these firms were incapable of the required self-control needed to break the destructive pattern of behaviour. In the end they sought assistance from government in order to achieve the desired control of self-interested, but ultimately destructive behaviour. This study of the 'fragmented' bituminous coal industry, contrasts with Mizruchi & Koenig's analysis of the political activities of firms in concentrated industry sectors (Mizruchi & Koenig, 1991), though they also place a strong emphasis on the role of the such factors as corporate networks part of their explanation. Although the context is somewhat different, the point is essentially the same. Sector concentration often means common interests, and assists co-operative behaviour, even at the level of party political preferences - *'large firms and firms in concentrated industries are more likely to contribute to the same candidates than are smaller firms and firms in more competitive industries. The finding on concentration is consistent with both collective action and structural arguments that a group's organisation is facilitated by a small number of actors'* (Mizruchi & Koenig, 1991, p.310).

The reverse side of this, fragmented sectoral interests, makes co-operation more difficult. Whatever the ultimate purpose of collective action therefore, the conclusion is that one cannot assume that it will be possible for firms to co-operate in the achievement of collective goals, of which influencing political thinking or specific decisions by government is one. Successful formulation of collective influence is shaped by certain industry characteristics, those which promote similar sets of interests. The concentration of an industry, characterised by fewer firms of similar, large, size provides greater likelihood of similar interests than does the fragmentation of an industry. The importance of industry concentration is also reflected in the development of transaction cost economics, where it has been proposed that concentration reduces the transaction costs of co-ordinating collective action (Taylor & Singleton, 1993, p.195-214). The argument goes that where interests are too diverse, then the costs expended on co-ordination may be greater than the potential benefit to individual members.

2.4.4 EU Lobbying, Associations & Industry Structure

Streeck & Schmitter highlight the importance of associations as key contributors to the effective functioning of the State, community and the market. Interest associations, they maintain, play a key role in the complex social, economic and political

environment in which many potential conflicts of interest need resolving (Streeck & Schmitter, 1985). They can contribute to the resolution of such conflict through their particular position as interlocutors between state, community and market social models. However their effectiveness, particularly with regard to the State, is dependent on particular characteristics, in particular, their ability to represent members views, control behaviour and have a monopoly over membership. Thus Streeck & Schmitter conclude that some associations can develop from 'one of many' interest groups to privileged positions in terms of influencing. This is the concept of notion of 'private interest government'.

Within the context of the EU, a later contribution by the same authors continues the theme of the importance of associational action (Streeck & Schmitter, 1991). However, although there may be some policy areas where relationships may develop along the lines noted above, their analysis concludes that *'interest associations, and quite a few of them, will have to compete for attention with national states, regions, large firms and specialised lobbyists, leaving their constituents with a wide range of differing paths of access to the Community's political centre...'* (Streeck & Schmitter, 1991, p.159). They also note the growing importance of the sectoral association, linked to the need for EU competitive advantage, and the alignment of employer and labour interests in production sectors.

Studies of EU lobbying literature (Greenwood, 1994; Greenwood & Ronit, 1992; Cawson, 1992; McLaughlin & Jordan, 1993; and Pedler & Van Schendelen et al, 1994) confirm this picture. They identify a complex web of collective interest organisations that exists both at national and at European level. This offers firms access to European decision-makers, in addition to any direct lobbying by individual firms themselves. Some interest groups are set within sectoral boundaries, for example European trade associations, while others are European and industry-wide in nature, for example UNICE. Alternatively, some groups arise in order to deal with specific issues, for example the Pharmaceutical Partners for Better Healthcare, noted in chapter 7. This network provides a series of discrete but interdependent routes for influencing decision-makers for the individual firm. It shows that collective response to the opportunities presented by the EU political framework is a key feature of the 'lobbying arena'.

Early assumptions about interest group formulation in response to the development of the EU were based on ideas that nationally organised interests would recognise development of policy competence within the EC and its implications for the focus of influencing activity and shift their activity to 'Brussels'. Further impetus was to be

provided ' *by European bureaucrats who, in their search for a constituency, would be more than willing to promote interest organisation on a scale coterminous with their supranational jurisdiction.*' (Streeck & Schmitter, 1991, p.134) As Streeck & Schmitter point out however, the reality was far from the predicted translation of established arrangements from national to European level. Instead, the development of the EU provoked a more fragmented pattern of interest group representation at European level. The level of lobbying increased, with a particular watershed following the proposal for the Single European Act and its subsequent implementation. The 'lobbying explosion' (Mazey & Richardson, 1993, p.4) which has drawn the attention of political scientists, and resulted in a growing literature on the subject, but shows through sectoral studies the different arrangements that characterise how collective representation is organised. Key concerns are why some groups have successfully reformulated interest representation at EU level, the cohesiveness (i.e. strength) of these groups in relation to established national counterparts, and the shift in the focus of lobbying activity from national to EU level. While therefore Streeck & Schmitter conclude there will be a competitive environment for interests seeking to influence decision-makers, Greenwood & Ronit's investigations into the pharmaceutical industry suggest this sector may have achieved something approaching the kind of private interest government described through the strength and cohesion of collective representation at European level.

This literature acknowledges the importance of certain firm, and industry characteristics in the way influence is organised. Although the rules of interaction with government agencies, in this case the EU, may be determined by those agencies, the participants in that interaction are also influenced by firm and sector characteristics. Greenwood & Ronit (1992) note the importance of the 'transnational dimension', in shaping the response of the pharmaceutical industry to the organisation of interests at European level. The concentration of the industry and its international scope means that there is a homogeneity of interests amongst members of the group. Therefore it has a relatively strong collective voice through its European association. This contrasts with the findings from Greenwood's analysis of the tourist industry in Europe. Here he concludes that while certain sub-groups within the tourism industry may indeed be influential, overall their influence is less compared to the more concentrated sectors because they are less cohesive (Greenwood, 1992). The argument is that influence is reduced because the representation does not encompass the whole industry. The underlying point is that this is difficult to achieve when the interests of the members are too diverse.

Yet concentration may not be the only factor. While the pharmaceutical industry appears to have been relatively successful in overcoming co-operation problems at a European level, others have had more difficulty, as shown by McLaughlin's treatment of the motor manufacturing industry. This is also a concentrated sector, though it is also an industry with strong national ties. Perhaps therefore concentration alone is not enough; within the context of the EU, it also has to be concentration at the transnational level. Greenwood & Ronit argue the transnational focus of the industry and its firms, is a key factor in explaining the relative strength of pharmaceutical industry collective representation at European level. What is important about transnational company interests and operations is the similarity of issues that firms face, compared with those operating within a single or limited number of national environments.

In summary, sectoral studies of lobbying show, implicitly rather than explicitly, the link between industry structure and the organisation of interests. The key themes which emerge from this are the importance of the transnational interests of firms, the relative concentration of the industry sector, and the significance of the activities of large firms on collective interest representation. This lends support to the earlier, theoretical, contributions (Olson, 1965; Heckathorn, 1995), and research into the effect of industry structure and competitive environment on the co-operative behaviour of firms (Bowman, Galambos, Mizuchi & Koenig). The next section presents a summary of the costs and potential benefits of influence, and a framework for the analysis of key characteristics of industry structure which will inform the later detailed sectoral analyses.

However, before summarising key factors which emerge from the consideration of the organisation of influence, the relationship between potential benefits and individual and collective lobbying action needs some clarification. There is no implied correlation between collective action and collective benefit. As noted earlier some benefits may be both collective and individual, and the evidence from lobbying literature shows that firms may attempt to use collective influence strategies for the capture of firm-specific benefit (Cawson, 1992, p.101). Collective action may form part of a company influence strategy not necessarily because it is a more cost-effective way to capture benefit, important though this is, but because it has value from another point of view. This is because it is seen as a more legitimate influence strategy within the political framework.

2.4.5 The Organisation of Interests & Importance of Industry Structure

If costs and benefits highlight the importance of political institutions and their policy agenda as the context for company influence strategies, then there is evidence from a number of sources to suggest that certain industry characteristics are key to understanding the way influence is organised, particularly in relation to the sector's ability to present cohesive representation at a European level. Firm size, the concentration of the industry, and the transnational nature of operations emerge as particularly important factors in the ability to co-ordinate activities within a competitive environment. These and other related factors are as follows:

- **Concentration & Internal Level of Competition:** the concentration or fragmentation of industries can be represented both in terms of the number of firms which populate the sector, the diversity of size of firm within the sector, and the geographical location of firms. A concentrated industry sector is usually thought of as one dominated by a small number of large firms. It is an important characteristic because of the opportunities this presents to firms for co-operative action, and it has been a particular subject of interest in relation to the formation and activities of cartels i.e. attempts to manage the competitive environment to the group advantage. Following earlier arguments, the smaller the group, the easier the task of co-ordination and the more likely attempts at co-operative behaviour will be successful (Olson, 1965)
- **Structural Complexity:** the contrast between sectors dominated by large firms and those with a predominant of small operators is also reflected in the complexity of their structure. Transnational corporations may have investments in different countries, reflecting different production or service functions which need to be co-ordinated. The decision about where to place R&D functions, and how to manage the logistics between geographically dispersed functions of parts manufacture and assembly for example, all create complexities. These are not present to the same degree within a purely national context. A further dimension is added for the large firm, particularly multinationals, as co-ordination is not confined to the boundaries of a single company, but involves co-ordination across various forms of inter-firm alliance, the best, but not the only examples of which can be found in Japanese industries (Gerlach, 1992).
- **Transnational Operations:** firms operating within a transnational context face particular issues with regard to competition (Porter, 1986; Bartlett & Ghoshal, 1992). The emphasis is on technological advance in these sectors, and the ability to

co-ordinate activity in advantageous ways against a background of many interlocking political environments. By contrast, national firms have less co-ordination or configuration issues, and less uncertainty in terms of the political environment. They are dealing with one primary political environment, even if services and product sales to other countries are subject to different political and economic acts, for example exchange rate fluctuation.

- **Firm Size & Strategic Importance:** closely linked to the transnational or national operation of firms, is the issue of size. The two are obviously complimentary although the definition of small, medium and large enterprises may alter depending on whether an international or national perspective is chosen. Size of firm has been noted as a key factor in explaining characteristics of firm political activity (Mizruchi & Koenig, 1991; Bowman, 1988). The economic power of large firms, particularly where they are in advanced technology sectors may also be a source of competitive advantage for states in the international market place, and this influences attitudes and relationships between firms, sectors and government decision-makers (Porter 1986).
- **Profit Margin:** large, transnational enterprises often inhabit sectors where the profit margin on goods is high. One of the best examples of this is the pharmaceutical company Glaxo, which has made considerable profit over the years through the discovery and production of the drug Zantac. Gerlach notes that Japanese motor manufacturers established a place in the market initially through low cost strategies, but have used their success to move to 'differentiated' product sectors, which by implication are more lucrative. If the differentiation of product enables higher levels of profit, then the contrast is with sectors whose products or services are undifferentiated, and therefore more price sensitive. Here profit margins are likely to be lower, and competition, based on price differentiation, more intense. This will in turn affect individual firm behaviour both in terms of the appropriateness of expending resource on influencing activities, which may produce largely collective goods.
- **Capital Intensity:** the production of high profit-margin, differentiated products by large firms usually involves considerable capital investment, whether this is in research and development facilities or in production sites. The capital intensity of the operation is also a barrier to entry by other potential competitors (Porter, 1986).

The above characteristics are often linked. Industry sectors characterised by the presence of large firms are often those with transnational operations, high levels of capital investment and products or services that are differentiated by quality or specification, rather than simple price. They are also those which have complex operations. There are however, examples of sectors which have large, transnational firms but which are not within concentrated industry sectors, for example the construction industry. It is not possible therefore to independently assess each of the factors listed above in the empirical analysis which appears in later chapters. Instead a more composite approach is taken to specifying the effect of industry structure on the choices firms make with regard to their influencing strategy, both at an individual level, and in terms of their ability to co-ordinate representation through collective action.

2.5 Conclusion: Influence Opportunities, Costs, Benefits & Information

In conclusion, although the treatment of influence is fragmented across several academic disciplines and literatures, each offers a particular insight into the reasons for influence activities, the costs and potential benefits which may be incurred or captured by investment in those activities, and the factors which may affect the organisation of influence. The level of opportunity for influence, and therefore potential benefit, is dependent on political institutions, as a means of accessing those benefits. However, the strategies that firms pursue, and the way sectors organise themselves to exert influence is the result of a complex interaction between political and economic organisations which are interdependent in the pursuit of their goals. Factors relating to the political institutions themselves, must be added others which relate to firm and industry characteristics.

In chapter 1, lobbying was defined as the attempt to influence through direct contact with decision-makers, using information as the prime method of persuasion. It is presented therefore as a bargaining activity. This bargaining takes place between political institutions and firms acting as individuals or collectively, in order to achieve potential benefits, taking into account the costs of the activity. The opportunities for influence are provided first by the particular characteristics of the political institutions themselves and second by their policies. These may link to broader political and social objectives. Firms are key to the achieving these objectives within a capitalist system. The subsequent chapters examine the opportunities, costs and potential benefits associated with the attempt by firms to exploit them. The benefits may be individual or collective benefits; information, business opportunities, rent, protection of the trading environment and market stabilisation. The costs are the costs of information

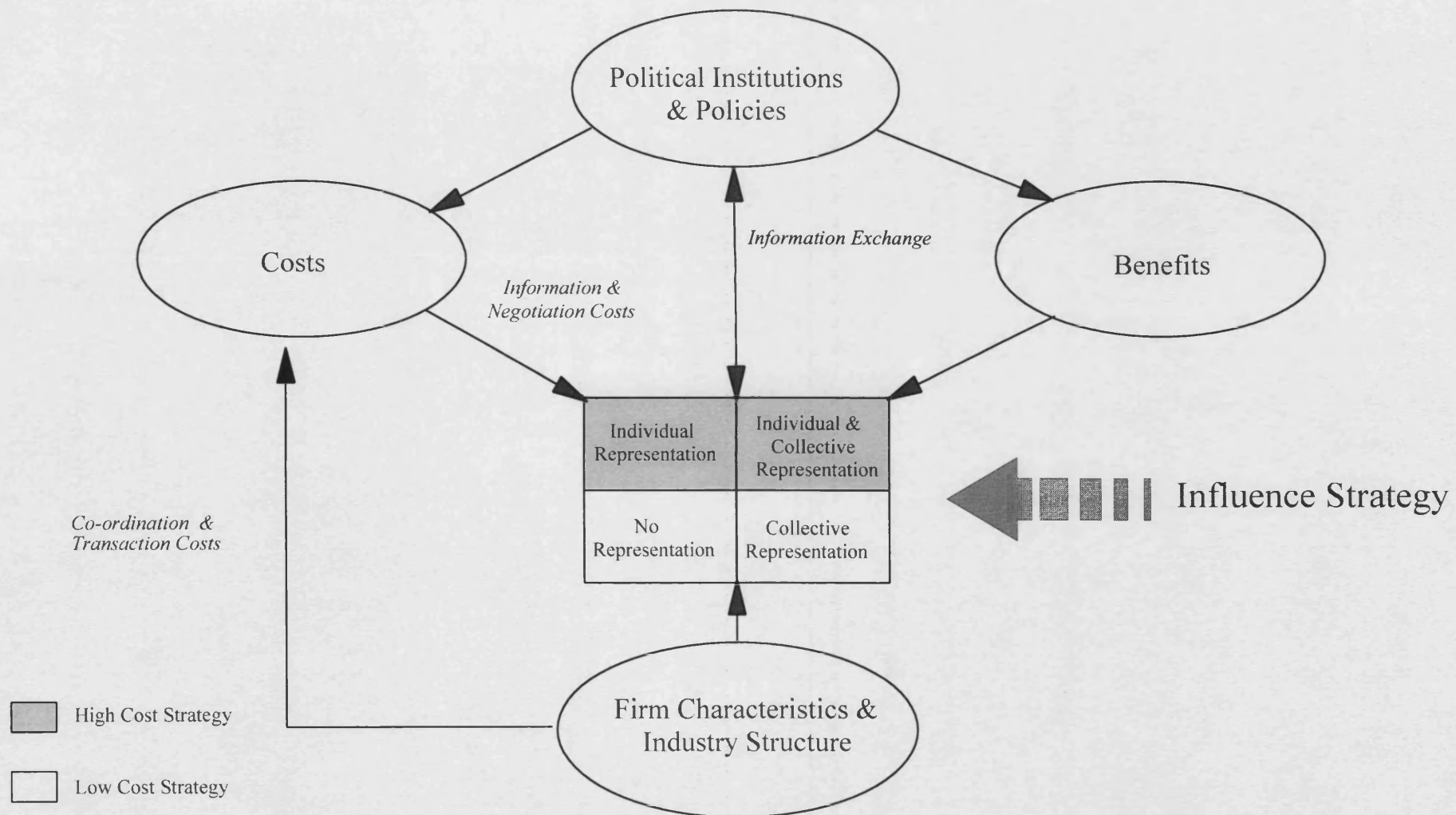


Figure 4 Factors Which Shape Influence Strategies

acquisition, assessment, presentation, and negotiation/consultation. An important aspect of the assessment is the extent to which costs may be mitigated for individual firms through collective interest representation, the ability of groups of firms to co-operate, and the cohesiveness of the representation achieved. Industry structure and the particular characteristics which contribute to this structure must be examined in order to address these issues and the link to influence strategy. The overall pattern of the assessment required is summarised in figure (4). The next chapters develop this rationale, to assess how the political institutions of the European Union have provided opportunities for firms to influence decision-making, arising from the uncertainty created by the development of new political institutions, the complexity of the political structure, its increasing policy-making powers, and its information needs.

Subsequent chapters will also confirm that these opportunities are not uniform for all business sectors, but depend on the policies pursued by different EU and government departments, the political salience of the sectors, and the effect of industry structure on the organisation of influence. The strategies pursued by firms are explained not only by the opportunities for influence, but also the nature of the potential benefits to be targeted and the information and co-ordination costs associated with different influence strategies. This helps to explain for example why, even in sectors with relatively cohesive, collective European representation, member companies may still invest in developing their own lobbying capability. This is because not all the potential benefits created by the political framework are *collective benefits*. The acquisition of information for competitive advantage is, by definition, an individual firm benefit.

Chapter 3

Lobbying Opportunities in the European Union

3.1 The Development of the EU: Institutions & Policy Competence

The relationship between influencing activity, the presence of central decision-making powers, and the importance of information issues was noted in the last chapter. Based on contributions particularly from economics and organisation literature, the expectation is therefore that *"the opportunities for influencing governmental decisions grow along with the size and scope of government"* (Milgrom & Roberts, 1992, p.271). This chapter now examines the opportunities presented to companies and interest groups for influencing activity within the EU. This covers the development of the EU to its present institutional form, legislative competence, and decision-making processes. It will show that the EU has developed increasing powers, and that its institutional framework and policy-making is characterised by complexity and high levels of uncertainty. These are factors which increase the dependence of EU decision-makers on information from a variety of sources, and gives rise to greater information asymmetries than that experienced within the national government decision-making context.

The European Union now comprises 15 member states. The key institutions, and newer additions are shown in figure (5). The additions are linked to various policy areas and initiatives. For example, the European Monetary Institute (EMI), the European Medicines Evaluation Agency (EMEA), the European Agency for Health and Safety at Work, and the European Foundation for Training. The location of each of these is dispersed across Member States, rather than being in Brussels. For example the EMEA is based in London, while the EMI is located in Frankfurt. Whether or not these agencies become targets for business influence activities in the future, subsequent chapters will confirm that the focal point for decision-making and lobbying activity are the major institutions noted below. This chapter therefore concentrates on the main institutions, whose key responsibilities are summarised as follows:

- The European Council is a bi-annual summit of heads of State which broadly sets the political agenda for the Union. It may also be called upon to deal with issues that have not been resolved through the Council of Ministers.
- The Commission is guardian of the Treaties and the initiator of policy proposals which meet the declared aims of the Treaties.

Main EU Institutions

European Council
European Commission
European Parliament
European Court of Justice
European Court of First Instance

Court of Auditors
European Investment Bank
Economic & Social Committee
Committee of the Regions

New Institutions

European Agency for Health & Safety at Work
European Centre for the Development of Vocational Training
European Drugs Observatory
European Environment Agency
European Foundation for Training
European Monetary Institute
European Office for Veterinary & Plant Health Inspection
European Trademark Office
Europol Drugs Agency



Figure 5 Main EU Institutions

Source: The European Companion, 1995

- The European Parliament is the directly elected body of representatives from Member States.
- The Council of Ministers is the forum of national government ministers which agrees or rejects the policy proposals put forward by the Commission.
- The European Court of Justice, the Court of First Instance, and the Court of Auditors safeguard the implementation of policy across Member States, and the financial and procedural soundness of the operation of EU institutions.
- The Economic and Social Committee (ECOSOC) and the more recently formed Committee of the Regions, are consulted in the process of drawing up policy proposals. ECOSOC formalises the consultation with employer, workforce and sectoral interests, while the Committee of the Regions, as its name suggests, represents regional interests.
- The European Investment Bank grants loans for projects which further the goals of the EU, both within and outside its borders. It is empowered to raise finance on the capital markets and can offer loans at highly competitive rates.

The early origins of the current structure, and the concept of a union of European states may be traced back beyond the Second World War in terms of various federalist movements. It was the Second World War however, which gave particular impetus to the whole debate about the need for some form of political and economic integration within Europe.

While there was no unanimity of views on political and economic issues throughout the Member States of Western Europe, the particular set of post-war circumstances produced *'new realities and changed attitudes which enabled, or forced, virtually all states to recognise at least some commonalities and shared interest. As a consequence it became possible for new interstate European organisations to be established'* (Nugent, 1991, p.22). The European Coal and Steel Community (ECSC) was one of those organisations. It was tasked with managing all aspects of Franco-German steel production by means of a supranational body called the 'High Authority' and which was open to other European countries. Although set up to deal with a specific area of economic interest, it was intended by its founders, Jean Monnet and Robert Schuman, as part of a wider agenda for integration within Europe. It provided the foundation for a European federation which Schuman and others saw as indispensable for the preservation of peace (Schuman, 1950).

The Treaty of Paris, which agreed the formation of the ECSC amongst six European States, made provision for four institutions: the High Authority, the Council of

Ministers, a Common Assembly and a Court of Justice. Both the High Authority, with its responsibility for maintaining and policing the coal and steel sectors across national boundaries, and the Court of Justice, with responsibility for arbitration and constitutional interpretation, were supranational in character. That is, the six European States recognised the authority of these institutions over national decision-making. The High Authority and other institutions noted above, formed the basis for the major EU institutions we know today, though as a result of subsequent Treaty amendments they have considerably altered their remit and powers. The successful development of the ECSC prompted further discussion amongst the 6 Member States, and resulted in a proposal to set up two further European 'communities', the European Economic Community (EEC) and the European Atomic Energy Community (Euratom). These were agreed in 1957, and established through the Treaties of Rome.

The EEC focused on the establishment of a common market throughout the 6 participating States. That is, the removal of obstacles to trade and harmonisation of economic policies across France, West Germany, Italy, Belgium, Luxembourg and the Netherlands. Euratom (European Atomic Energy Community), concentrated on the encouragement of research and industrial development in the atomic industry across the six countries.

Despite constant change through the enlargement of the Community and its supporting institutions, it was not, however, until the Single Market initiative gathered momentum that 'business' started to recognise the impact on its competitive environment. This happened not only as a result of the implementation of the 282 measures linked to the '1992' project, but more importantly, as a result of changes to the regulatory powers and institutional decision-making arrangements of the EU which underpinned it. The ratification of the Single European Act (SEA) in 1986 marked a watershed for business, and the sudden increase in lobbying activity in Brussels dates from this time (Mazey & Richardson, 1991, p.1).

The SEA amended the Treaty of Rome to specify new institutional arrangements, increasing, for example, the powers of the European Parliament. It also introduced majority voting in the Council of Ministers. It confirmed the internal market as '*an area without internal frontiers in which the free movement of goods, services and capital is ensured*' (Article 13) and committed members to the completion of the internal market by 1992. The Act also confirmed the extension of policy competence into the following areas: social, environmental, research and development technology and economic and social cohesion.

The impetus for the SEA was not solely political in nature. Several factors have been identified which contributed to the initiative; the increasing dependence on intra-community trade, the international and economic conditions of the early 1980s (deterioration in trade, rising unemployment), the introduction of the European Monetary System and the interests of business organisations (Cameron, 1991, pp 36-48). There are divergent views about how critical the role of business interests were in taking forward the idea of the Internal Market. However, although some argue that business involvement in the SEA was both late and not a decisive factor in moving this initiative forward (Moravcsik, 1991, p.75), it is clear that leading businessmen were active in this process. The reasons for this have been proposed as increased economic integration and interdependency, the development of regional and global business strategies, and competition from the US and Japan (Streeck & Schmitter, 1991, p.148; Andersen, 1992, pp 37-38). Such a combination of factors aligned the interests of multinational companies in particular with the aims of the SEA and the Commission.

The most recent Treaty amendment, the 1992 Treaty on European Union (Maastricht) took forward the direction outlined in the SEA, and brought a number of significant changes. The Treaty moves beyond the notion of a purely economic association to encompass economic and monetary union, sustainable & non inflationary growth respecting the environment, and employment and social protection, amongst others. It provides the legal base for provisions on a common Foreign and Security Policy, and co-operation in Justice and Home Affairs. With these provisions, the powers of the Parliament have increased yet again. A new co-decision procedure has been introduced which in essence this gives it the right to veto legislation. In addition, the role of the European Council has been formally recognised as part of the institutional framework, and a new consultative forum, the Committee of the Regions was established.

The Treaty further extended the area of legislative competence to; aid to developing countries, education, public health, consumer protection, industry competitiveness and trans-European networks. It lays out the timetable for European Monetary Union (EMU) and defines the financial institutions which will support this. In common with the SEA, institutional changes have accompanied these developments with further extension of the powers of the European Parliament and the inclusion of proposals which will lead to the creation of a European Central Bank. With the incorporation of the agreement on social policy, at least among 11 of the (then) 12 Member States, and the potential for impact on the business environment can be seen to be extensive.

This impact is both in terms of the changed economic environment created for business through the Internal Market, and more specifically through the Commission's power to

European Union Member States



Accession Dates

1957
France
Germany
Belgium
Netherlands
Italy
Luxembourg

1973
United
Kingdom
Ireland
Denmark

1981
Greece

1986
Spain
Portugal

1995
Sweden
Austria
Finland

 Member States

Figure 6

formulate policy in areas of direct and indirect concern to business. Of the former, specific areas worth noting are competition policy, anti-dumping and anti-subsidy measures, and control over state aid. In each of these areas the Commission has powers of investigation, the ability to impose fines and annul agreements. Andersen gives a number of examples of actions involving both companies and Member States (Andersen, 1992, pp 101-145). The publicity linked to some of these cases has no doubt increased business awareness of the growing powers of the Commission and its ability and commitment to using them.

Whatever the arguments about the degree of integration, and the ultimate shape and remit of a European Union, the powers of EU institutions, and their direct impact on the way businesses operate, as well as the broader economic impact of direction in which the EU has developed have fundamentally changed the environment in which firms operate. This impact has been gradually extended over 15 Member States (see figure 6) with the potential for further enlargement in the future.

It might be expected therefore that business interests should focus an increasing amount of attention on the EU, given earlier arguments about the size and scope of central decision-making authorities and its effect on levels of influence activity. This would be a logical response to the development of a new set of governmental institutions, which offer both opportunities and threats for businesses. These key developments have also, however, been accompanied by a steady increase of policy competence by the EU. This is not only based on principles established in Treaties, but also through the development of Community law. The establishment of the supremacy of Community law over national law in certain fields, confirmed as a result of the Court's ruling in *Costa v Enel* (6/64), was particularly important. In this case, the Court of Justice ruled that *'By creating a Community of unlimited duration, having its own institutions, its own personality, its own legal capacity and capacity of representation on the international plane, and more particularly, real powers stemming from a limitation of sovereignty or a transfer of powers from the States to the Community, the Member States have limited their sovereign rights, albeit within limited fields, and have thus created a body of law which binds both their nationals and themselves'* (ECR 585 Case 6/64).

The net effect of these increased powers is that decisions in certain fields are now binding on the 15 national governments. Following Milgrom and Roberts (1992, pp 270-271) argument therefore, we should *expect* this to give rise to increasing attempts at influencing these institutions. In addition however, other characteristics of the EU governmental machinery also have the potential to enhance opportunities for influence.

The next section therefore examines how EU institutional arrangements, policy formulation, and decision-making processes contribute to these opportunities through the complexity and uncertainty of the environment, and the information needs of decision-makers.

3.2 EU Institutions : Accessibility and Openness

The main EU institutions which form the target for companies and interest groups lobbying activities are; the Commission, Parliament and the Council of Ministers as the three primary institutions, and to a lesser extent the Economic and Social Committee, (ECOSOC) and the Committee of the Regions. With the exception of the Committee of the Regions, which is still relatively new, these are the institutions that representatives of firms and business interest groups contact as part of their attempts to influence decision-making. The most important of these is the Commission (Gardner, 1991, p.69). Although not strictly a target of 'lobbying', the other institution which must be mentioned is the European Court of Justice. It has the power of decision, and has used this with significant effects for business through various rulings. These institutions, and the role they play, are outlined as follows:

The Commission: the Commission is the Community's executive. It is responsible for initiating policies in line with Treaty provisions, and for monitoring the implementation of policies. As such, it has a key role in the formulation of policy and decision-making processes. It is responsible for strategic planning, and for managing the budget and its structural funds.

At the head of the Commission are the President and 20 Commissioners. Each of the Commissioners has his or her own cabinet, appointed directly by the Commissioner and who are national and political appointees. The Commissioners themselves are nominated by Member States, each country having an allocation of one or two appointments to decide. Areas of responsibility are, however, decided by the President. These are national political appointments, and although Commissioners are required to place European, rather than national interests first, realism dictates a careful allocation of portfolios amongst candidates by any incoming President. The Commissioners may be responsible for one or more directorates, and remain in office for five years, in line with the term of election for the European Parliament.

Each of the 24 directorates is staffed by officials of various grades. It has a representative cross-section of 'nationals' from the Member States. These positions are recruited into the Commission by competition. As a result of its structure, the

Commission tends to work in a highly compartmentalised way. It should certainly not be viewed as some sort of monolithic entity (Mazey & Richardson, 1993, p.17). This compartmentalisation complicates the work of officials in terms of horizontal co-ordination, as policy issues inevitably do not fit within organisational boundaries. Although in many ways this problem may equally occur across national government departmental boundaries, it is exacerbated in the Commission by different national viewpoints and political traditions.

Before proposals can be put to the Council of Ministers, all have to be agreed by the College of Commissioners, by majority vote. The weekly meeting of the College of Commissioners is therefore a co-ordination point at the highest level within the Commission. This is supported by a number of other co-ordinating activities such as the meetings of the Commissioners chefs-de-cabinet, ad hoc committees, task forces and project groups who may address particular issues, and through the work of the Secretariat General of the Commission. The Secretariat is charged with ensuring co-ordination and communication takes place across the directorates of the Commission.

The complexities of internal co-ordination are mirrored by the need for extensive contacts with external agencies, both governmental and non-governmental. In developing proposals the Commission has two main aims; technical soundness and political acceptability. The way it manages these two aims results from both structural constraints and a deliberate style of approach. Structural constraints relate to the relative smallness of the bureaucracy, and the resources at its disposal for information gathering and assessment. The style of approach is driven by the need to gain acceptance for proposals. It is a relatively 'adolescent bureaucracy' and *'it is still very dependent upon national experts and groups for detailed information about diverse technical standards, legislation and organisational structures throughout the EC. The practical task of knowing what policies will actually work and what is politically acceptable in twelve very different member states is exceedingly difficult'* (Mazey & Richardson, 1993b, p. 40). This suggests that policy formulation within the EU is subject to greater information asymmetries than would be the case within the established national environments, and that this takes on particular importance in the quest for technically sound, but also *politically acceptable* policy proposals.

Sometimes referred to as a 'technocracy', the Commission is tasked with developing policies and putting these to the Council of Ministers for agreement on the basis that technical issues and implications are fully understood and accounted for. It is certainly not, however, divorced from political considerations, either the political goals encompassed in the Treaties, which form the basis for its policy agenda, or from the

need to take into consideration the complex political considerations stemming from the 15 different political systems within the Union.

According to one interviewee within the Commission, recruitment for permanent staff is not targeted at specific technical skills, e.g. Environment do not look specifically for individuals with relevant expertise, although this was attempted some years ago (interview code: 4). The net result is felt to be a preponderance of lawyers and economists. Whether or not this comment reflects the true state of affairs, a 'generalist' recruitment policy does question whether the title of 'technocracy', in relation to the Commission, is a justifiable one. Though it may be a politically astute to cultivate this notion, it somehow implies the Commission is divorced from political aims or considerations, which is not the case. As Lodge (1993, p.3) points out, this is a rather disingenuous view. The description by Gardner of the Commission as '*an adroit politicised bureaucracy*' is nearer the mark (Gardner, 1991, p.15). As an institution, its individual policy initiatives often focus on what appear to be 'technical' issues (for example, vehicle emissions and lorry weights). These require specialist input not necessarily available through its own resources, in order to develop acceptable proposals. However, these initiatives fit within the greater remit of Treaty objectives, for example the operation of an Internal Market. With a total permanent staff of around 15,000, resource is an important factor in explaining the way the Commission operates, and in interpreting the development of its interaction with business. The view of the Commission as some sort of technocracy may conveniently mask to the casual observer the implications of relationships between its decision-makers and business organisations. The interdependency created by institutional characteristics may present opportunities not only for business to influence, but may equally serve the long-term aims of a relatively new bureaucracy seeking to establish its legitimacy. Along with its policy initiation remit, its reliance on external resource and expertise opens up a range possibilities for contact with decision-makers, for those who have the necessary expertise in particular areas.

Officials of the Commission operate in a highly networked, complex and often informal structure. The limitations of its own resources may be one factor in explaining its open approach. It is a response to the need to gather and interpret information essential for the purpose of policy formulation. '*Directorates do seem to build constituencies of support and with limited staffs do require to lean on the [Euro] groups for the purpose of data collection and the pre-scrutiny of policy proposals*' (Jordan & McLaughlin, 1991, p.9) It is therefore not only the increasing policy competence of the EU which may be identified as a reason for increased business influencing activities

(measured largely by the increase in lobbying activities), but the characteristics of the institutions themselves which play an important part in the patterns of influence.

At a practical level therefore, the Commission's 'open approach' may be driven to some extent by the resources it has at its disposal. But it may also be symptomatic of a political goal of encouraging the re-alignment of traditional (national) government-business networks and power dependencies at a European level (Moravcsik, 1991, p.44). Whether or not this is the case, any discussions about the Commission, should acknowledge it as *governmental* institution which has its own *political* objectives. Further, the role of the Commission in policy formulation, the way it is organised, and its approach to outside interests are factors in explaining its continuing importance as the main target for business lobbying.

The Council of Ministers: the Council of Ministers has the task of accepting or rejecting proposals put forward by the Commission. It is the ultimate arbiter of all proposals. The title 'Council' is something of a misnomer as it is not one council but several, consisting of relevant representatives from national government on finance, transport or other issues, depending on the agenda. For example, on average there are around 4 meetings of transport ministers per year. Each of these will be attended by one of the permanent representatives of each Member State delegation based in Brussels, in addition to representatives or technical experts from each national government department. In accepting or rejecting a proposal put to it, Council members are obliged, as a minimum, to review the Opinion of the Economic and Social Committee and the European Parliament. More recently, changes to the powers of the European Parliament now mean that in certain policy areas (Internal Market matters) the Commission and the Council must negotiate the *agreement* of the Parliament to proposals through what is known as the co-decision procedure.

Attempts to influence the Council, although implying an approach to a European institution, are therefore essentially attempts to influence national viewpoints. This is usually achieved through organisations approaching national government departments. This means that European influence strategies may also involve a 'national' dimension. Because the Council is the final decision-making point, issues where business interests align with the national position ensures a powerful ally at the highest level of the decision-making process. Business interests are still keen to obtain such support (Kohler-Koch, 1994, p.46; Greenwood & Jordan, 1994, p.77).

The work of the various 'Councils' is supported by a delegation of officials from each government, known as Permanent Representations. As well as performing the role of

an embassy to the Community, these officials play a key part in the two important committees which service the work of the Councils. These are COREPER 1 and COREPER 2. Each committee meets once a week to prepare the work of the Council. COREPER 2 is the more senior forum, which deals with more politically sensitive issues and has more senior representatives attending. COREPER 1 tends to deal with transport, internal market, environment, and social issues (Nugent, 1991, p.17) while a further committee, the Special Committee on Agriculture (SCA) is a separate, but important forum which performs the same function as the COREPER committees within a specific sectoral context.

Officials from the Permanent Representations attend these meetings, but in the case of the UK for example these are also attended by civil servants from the relevant UK civil service departments. The lead role can sometimes be taken by UK officials, or the Permanent Representative. The main role of the Permanent Representative is to understand the ins-and-outs of the negotiating environment in which they are operating, and the likely stance of other Member States on issues. Feeding these meetings are a series of standing committees which are supported by the Council secretariat, and working parties focused on particular policy proposals. The Council Secretariat has a staff of around 2000 (Nugent, 1991, p.110).

As the final arbiters of decisions on policy proposals, a first glance at the Council of Ministers suggests it is an intergovernmental forum. Its structure certainly points to this. However, the development of the voting procedures within Council have had a profound affect on the nature of this institution. Where unanimous voting is required for agreement to proposals, then it can be said with some justification to be more inter-governmental than supranational. The increased use of majority voting has now resulted in a forum where decisions against the wishes of any particular Member State can be implemented, provided the rules on majority voting are met. The extension of majority voting in the Council, particularly as a result of the Single European Act (Nugent, 1991, p.123) and the perceived need to stop the characteristic deadlock of negotiations resulting from the unanimous voting rule, have by implication altered the nature of this forum. In many policy areas it can now be considered more supranational in character, even if the role of individual state representatives remains focused on the appropriate positioning of national interests as a result of any decision. 'Appropriate positioning' can sometimes be driven by national party political factors, the time running up to national elections being particularly sensitive to such considerations. But each of the Member States' negotiators need to take account of the views and motivations of others. Achieving an acceptable outcome from one State's

point of view can often involve complex bargaining and 'trade-offs' between representatives.

Unlike the Commission therefore, where it may be possible to influence one or more decision-makers in their thinking about a particular policy-line, the representatives of each Member State within the Council may be subject to a wide spectrum of pressures in the process of final agreement. These may not just be generated by the logical desirability, or not, of the proposals under scrutiny, that is whether policies will have a beneficial or deleterious effect on a particular business sector. They may also be affected by the myriad political considerations to which each national government is subject in its own national environment.

The complexities of Council decision-making, in addition to its position at the final point of agreement are two important factors in explaining the pattern of business lobbying activities, a pattern which focuses on the Commission as the prime institution to target. As the next chapter will show, by the time proposals reach the Council, the policy has already been formulated and at this stage lobbying activity is subject to the uncertainties of differing national political agendas. Far better therefore to expend available resource in shaping policy proposals in the early stages.

The European Parliament: the third major institution to consider within the context of business lobbying, is the European Parliament. It is perhaps the most interesting given the fundamental changes that have occurred in its role since originally constituted. These changes have involved the steady accrual of power, resulting in an increased role in determining legislation. Once solely an advisory body, whose 'opinion' was required, but which could be ignored by the Council and Commission, it now has the power of amendment, and in some areas, a clear right to veto proposals.

There are 626 European members of parliament (MEPs). The number has increased recently as a result of the inclusion of representatives for the old GDR and from the three new member countries of Sweden, Finland and Austria. MEPs are now directly elected for a five year term of office.

Parliament's role is: to participate in the legislative process by reviewing Commission proposals; to issue opinions on, and propose amendments to proposals; to agree the Community's budget; the supervision of the Commission, Council of Ministers and the European Council. All legislative proposals must be reviewed by the European Parliament, and depending on the area of policy there are different procedures which are invoked which are outlined below under 'decision-making processes'.

The important point in terms of examining business interaction with EU institutions, is that developments in the Parliament's legislative role have undoubtedly made it much more important as a target for influence. Mazey & Richardson identified that between 1987 and 1990 the Commission accepted 1,052 of the Parliament's amendments to Single Market laws and of these, the Council accepted 719 (Mazey & Richardson, 1993c, p.18). As subsequent chapters will show, there has been an increasing interest in the Parliament by lobbyists.

To support its decisions, the Parliament has a number of important standing committees whose members are assigned at the beginning, and half-way through, each term of office. The committees, of which there are currently 20, have the task of reviewing the legislative proposals put to the Parliament by the Commission. They are also involved in more general discussions about future policy direction within the Commission, and work on 'own initiative reports'. These reports are the culmination of research into areas of interest which the Parliament identifies independently from any initiatives of the Commission.

Although the Parliament has traditionally been portrayed as rather weak compared with many national legislatures, its powers have been considerably enhanced over the years and it has both rights and supporting mechanisms which enable it to exercise influence over future policy direction in a way which, certainly by comparison with the UK, can increasingly be compared very favourably with national legislature (Nugent, 1991, p.165; Jacobs, Corbett and Shackleton, 1992, p.203).

The Economic and Social Committee: the Economic and Social Committee (ECOSOC) was established by the Treaty of Rome as a forum in which certain community sectors could give their views about proposed legislation. These sectors are; employers, known as Group I, workers represented by the Trade Union movement and known as Group II, and other various interest groups such as consumers, environmental agencies, represented in a third sector, Group III.

The reason for the formation of the Committee was partly that five of the six founding members of the Community had such bodies as part of their national institutional framework, and partly because at that time the European Parliament, or Assembly as it was known, had far fewer powers than it currently possesses. It was in some ways therefore an attempt to deal with what was recognised as a 'democratic deficit', by giving sectoral interests a voice within the decision-making process.

The Economic and Social Committee is made up of representatives nominated by each of the Member States, as representatives for Groups I, II and III. The 221 members are appointed by the Council for a term of 5 years and membership is renewable. In the case of Groups I and II, representation is made up of national industry and trade union organisations, for example the CBI and TUC in the UK. Group III representatives are less homogenous containing many different interest group representatives.

The role of the Committee is a purely advisory one, and consists of the duty to provide an 'Opinion' on proposed legislation. As with the European Parliament, it is obligatory in certain circumstances for the Commission and Council to obtain the opinion of the Committee before legislation can be passed. The Commission and Council do not however have to act upon the Opinion of the Committee. Also, more limited policy areas where the Committee's Opinion is obligatory, limits influence on the legislative process.

Rather like the Parliament, specific work on legislation where the Committee's Opinion is required, is handled by a series of committees or study groups, called 'sections'. There are nine sections, which do not correspond to the Parliamentary arrangements. For example, the Parliament groups Transport and Tourism together whereas ECOSOC has a Transport and Communications section.

As a result of its limited powers, and to a certain extent the growth in power of the European Parliament, ECOSOC is generally regarded as less important in terms of influencing policy formulation and outcomes (Nugent, 1991, p.215. Andersen, 1992, p.76). It does however, issue reports on matters of interest, liaise with other international groups, acts as a forum for the exchange of views across sectional interests, and generally tries to press its views to other Community institutions. It is therefore a potential access point for those seeking to influence decision-making in the EU, particularly from a national viewpoint.

The Committee of the Regions: the Treaty on European Union made provision for a new institution, the Committee of the Regions. As its name suggests its role is to advise the Commission and Council on issues which are deemed to have implications for particular regions within the European Union. It has 222 members who are appointed by Member States through the Council, for a period of 5 years. The members are representatives of local and regional governments, both elected councillors and officials.

When the Economic and Social Committee is consulted about particular issues and an Opinion is requested by the Commission and Council, at the same time the Committee of the Regions is also informed, and *'where it considers that specific regional interests are involved, the Committee of the Regions may issue an opinion on the matter'* (Article 198c, Treaty on European Union). Like the Economic and Social Committee, it may also issue opinions on its own initiative though the Council and Commission are not obliged to act on these or any other Opinions, only to receive and review them.

In many respects therefore the Committee of the Regions has similar powers and status to that of ECOSOC, but its focus is a different one and is less concerned with corporate, or sectoral affairs. Nonetheless there are some areas of overlap and like its 'sister' organisation, the Economic and Social Committee, it is a potential access point for interest groups, including business, to Community decision-making processes. As details further on will show, there appears to be little sign of interest in the Committee on the part of individual companies, though certain types of business interest groupings may find a natural alliance here, Chambers of Commerce, and their European federation, Eurochambres providing some evidence in this respect. The observations made by most company lobbyists canvassed in this research suggest that it is still too early to say what influence and role this institution will establish for itself (interviews: 1,2,3,6).

The European Court of Justice: the primacy of European law over national law has important implications for lobbying interests. Although not in itself a focus of lobbying activity in the sense of influence by information, the European Court of Justice is a forum to which individuals or groups have redress in the interpretation and the enforcement of EU legislation. It consists of 15 judges, supported by 9 advocates, appointed for a 6-year term of office. The Court of First Instance was constituted in order to resolve workload issues for the European Court and now deals with competition law cases. Mazey and Richardson note that the Court has been the focus of attention for groups like environmentalists and trade unions, who *'often find themselves frozen out of the policy-making process at a national level'* (Mazey & Richardson, 1993c, p.19). The results of the Court's decision can have significant effects for business, both in defining and enforcing the law. For example, competition law resting on Articles 85 and 86 of the EEC Treaty deals with prevention of cartels and the abuse of dominant positions within industry sectors. These provisions means that contraventions can result in companies being fined in excess of £10m by the Commission. Such punitive action, and the response of business interests is dealt with by the Court. Lobbying on specific issues takes place very much within the context of the legal provision of treaties and the potential outcome of appeals to the Court.

The Court is also a route for a company or association as an alternative to influence, to test the legality of national or European Commission decisions, or the actions of competitors. In the area of physical and technical barriers to trade, there is growing case law. An example of such actions is illustrated in the case of *the Commission v France (Case 21/86)* where *'the Commission alleged that France had violated Article 30 by failing to approve postal franking machines from other Member States. The action arose out of a complaint to the Commission by a British manufacturer which, despite repeated applications, had failed to secure the approval of the French authorities....'* (Weatherill, 1992, p. 199)

This is clearly not 'lobbying' within the strict terms of the definition here, but bringing such cases to the attention of the Commission, and no doubt national government in the process, involves many aspects of lobbying; information gathering, presenting a case etc, looking for evidence to support the case from other business interests.

3.3 EU Decision Making Processes : Complexity and Uncertainty

EU institutions develop and ratify proposals which will move the Union closer to the goals outlined within the Treaties. The increasing policy competence of EU institutions, created through the Treaties and also through the growing legal framework created by the ruling of the European Court, provide evidence of growing incursions into the independent decision-making authority of national governments. As the European Court noted in the *Costa v ENEL* case, Member States have agreed to limit their sovereignty over certain fields. This shifts the focus of decision-making away from the national arena and towards the political framework provided by EU institutions and policy-making. However, national governments are still a key part of the EU decision-making process itself and this creates an additional level of complexity, which can be seen in the following description of decision-making process, starting with the drafting of proposals .

The Directorates of the European Commission are tasked with drafting proposals, using the resources of a large network of advisory committees and contacts with key consultation partners. These contacts are both within the Commission, and externally include business organisations, national government officials, as well as recognised social partners such as UNICE, the Union of Industry and Employers Organisations in Europe, and more recently, Eurochambres. The early stages of policy formulation are recognised by lobbyists as the key stage of the process, although the subsequent involvement by other institutions (e.g. the European Parliament) in ratification also offer opportunities for intervention.

This consultation process culminates in proposals being reviewed by the relevant Commissioners and their cabinets. If the proposal is agreed, it is then passed to the European Parliament, the Economic and Social Affairs Committee, and the Committee of the Regions. The two committees are advisory in nature and issue an Opinion on the proposals, which may or may not be heeded. The European Parliament has greater powers, depending on the policy area under consideration. It may in certain circumstances propose amendments or may veto proposals. All proposals are categorised as falling under one of three procedures, each involving greater or lesser powers or amendment or veto on the part of the Parliament. These are as follows:

The Consultation Procedure: as its name suggests this is when Parliament is solely asked to provide an opinion on policy proposals. Until 1986, and the Single European Act this was the extent of the Parliament's involvement. It was not however, a procedure to be ignored, as the Isoglucose ruling demonstrated. In this case the European Court of Justice annulled a piece of legislation on the grounds that Parliament had not yet given its opinion. This not only supported Parliament as an indispensable part of the legislative procedure, it was also used as a potential delaying tactic so increasing Parliament's leverage on the other two institutions (Jacobs, Corbett & Shackleton, 1992, p.182).

The Co-operation Procedure: the Single European Act extended the involvement of the Parliament by the introduction of a second process called the co-operation procedure. This introduced a second reading for all proposed Community legislation, ensuring the initial 'Opinion' of Parliament is obtained prior to the Council of Ministers agreeing their position, and *after which the results of this agreement are submitted for a second time to Parliament*. Parliament may at this point either reject or amend the proposed legislation

The Co-decision Procedure: the Treaty on European Union introduced a third more complex arrangement for some policy areas, but one which extends the power of the Parliament yet again. There are a number of changes in procedure which require more time than appropriate here to expand. However, one of these is the ability of the Parliament to reject outright a text in its second reading. Under the co-operation procedure, the Council had three months to overrule the Parliament by unanimity. In the new co-decision procedure, rejection by the European Parliament is absolute and cannot be over-ridden.

Assuming that assent from the Parliament is received, the proposals are forwarded to the Council of Ministers, or more precisely the representatives of national government

that form the committees COREPER 1 and 2. These review all proposals prior to presenting them to the Council meetings attended by the Ministers of State from each country. If the proposal is agreed by the COREPER committees, it is automatically given assent by the Ministers of State. If however, no agreement can be reached then the Council of Ministers will enter into negotiations on the proposal. Some proposals will fall under unanimous voting rules, in which case any single country can effectively veto the proposal. Other policy areas are governed by majority voting rules (e.g. those relating to the Single Market), although this is qualified majority voting with the number of votes for each country weighted according to its size. Failure to agree at this level can be referred to the senior Council of Ministers, the meeting of Foreign Ministers, or in the last resort to the European Council.

Proposals which are ratified can take various forms, either those which automatically come into effect and are implemented by the Commission with the assistance of national representatives. These are called regulations and directives. A regulation comes into effect automatically across all Member States. A directive also comes into effect automatically, but may be directed at certain States, organisations or individuals. Alternatively, proposals may take the form of 'decisions', which are proposals in which the detail of implementation (within certain timescales) is left to the discretion of national government. Finally there are opinions and recommendations which are not binding on Member States, individuals, or organisations, but which act as guidance.

The above description of the decision-making process is presented in linear form, but the reality is often more complex, particularly at the early stages where a considerable amount of consultation is carried out, including discussions with representatives from those institutions who have to review the legislation and give an Opinion, or their assent. The issue for business interests is not only that lobbying arises from the activities of external agencies, but that it takes place against a background of considerable internal lobbying across and sometimes within the institutions themselves. It is therefore a complex environment from the point of view of the number of players involved, and the number of potential interventions that can be made by interested parties throughout the stages of the decision-making process. *'...lobbying the European Community is a far from simple task. Within Brussels, lobbying is widely regarded as a perfectly respectable and even necessary part of the EC policy process. Paradoxically, this very openness, along with the unique structural characteristics of the Community's decision-making processes, poses problems for groups more accustomed to working within a national politico-administrative system'* (Mazey & Richardson, 1991, p.1)

Departmental differences in agenda within the UK civil service provide a parallel to this. However, the developing nature of EU institutions, their relative immaturity, and the interplay of national interests in the decision-making process lend weight to the argument that 'Brussels' presents the would-be lobbyist with a far more complex environment, but one that offers relatively more opportunities to influence. The interplay of various interests also makes the outcome of decision-making very hard to predict. It increases the uncertainty for stakeholders in any decision, particularly with regard to the different national perspectives. This may be an advantage, as it increases the potential for alliance-building, as McLaughlin shows in his discussion of the European car industries and the issue of Japanese import quotas. However, it is a disadvantage is the amount of effort required first to identify potential alliances and then to build them (McLaughlin, 1994). This case study demonstrates the multiple levels of negotiation and alliance-building that can be involved between individual companies within a lobbying group, at a national level with different Member and non-Member states, as well as within EU institutions themselves. The point is that while this creates opportunities for influence, complexity also increases the cost of influence activities compared with those incurred in a purely national context.

3.4. Conclusion: EU Institutions, Decision-Making & Information Asymmetry

In conclusion, the development of the EU, and the extension of its policy competence can be seen to have produced a central decision-making authority with considerable powers. The extent of the impact for business extends over a wide range of issues: competition policy, anti-dumping and anti-subsidy measures, state aid, environment, social and consumer policy, in addition to specific provision for certain industry sectors which are considered strategic, for example, information technology.

EU decision-making powers are exercised within a complex environment involving both national and EU governmental institutions. This demands a fine balancing act on the part of the Commission, as the author of policy, in order to meet policy objectives in ways which are technically feasible and politically acceptable across 15 Member States. Technical feasibility and political acceptability are key drivers of information need for EU decision-makers just as they are for national governments. The difference lies in the scale of information-gathering and assessment which is required. The 'information asymmetry' problem which besets all decision-makers, is therefore greatly increased in the context of the EU, by comparison with national political frameworks.

The greater the regulatory activity therefore, the greater the information needs, and the more information needs are magnified in the EU compared to national contexts. It is small surprise therefore that the 282 proposals which underpinned the Single European Act, coincided with an notable increase in lobbying activity. This was not necessarily related to a simple perceptions of 'threat', as broadly speaking the Single Market initiative was welcomed by many business sectors. The proactive response of the European Round Table of Industrialists is an example of this. However, it does mark a point of departure in terms of contact levels between business interests and the European administration.

The rationale for influence activities proposed in chapter 2 suggests that the information needs of decision-makers are key to understanding why these contact levels increased so dramatically. The EU political environment is both complex and fraught with uncertainty due to the number of inputs required to develop and agree policy. These make outcomes less predictable than within a purely national context. The number of proposals being tabled, the relatively small size of the bureaucracy, as well as the potential impact on the business environment, should generate influence activities, if the earlier arguments about the link between central authority, complexity and uncertainty in the decision-making environment and information needs, are correct.

The next chapter will show how business interests have responded to this political environment, with the formation of a dense network of organisations around EU institutions.

Chapter 4

Business Lobbying in the European Union

4.1 The Growth in Business Lobbying Activity

The EU's widening areas of legislative competence and its institutional structure and decision-making processes present a number of strong reasons to expect an increase in business lobbying activities. This chapter presents an overview of the response of business to these developments before moving on to a more detailed look at sectoral and company responses in chapters 6 & 7.

Andersen & Eliassen estimate that in 1990 *'about 30% of interest groups lobbying in Brussels came from industry and agriculture'* (Andersen & Eliassen, 1993, p.40). This represents a slight reduction (from 40%) in relative terms compared with 1980, resulting largely from the more recent increase in representation from other areas such as regional and city authorities, and consumer and environmental bodies, and an increase in professional lobbying organisations. Another estimate for 1993 states that 50% of Euro-groups represent commercial and employer's interests (Mazey & Richardson, 1993a, p.7). This reflects the importance of the Single European Act as a catalyst for business interest lobbying, and the subsequent Treaty on European Union with its shift in focus to broader areas of social and environmental concern.

The description of European institutional and decision-making arrangements given earlier shows the potential for business interests to acquire information and to exercise influence through a number of channels, either at an individual level, or through collective representation. The following sections look at the process of lobbying within the EU, in terms of which institutions are targeted, and who are the lobbying participants. It identifies some of the characteristics of company and sectoral response to this environment.

4.2 Lobbying Targets

EU institutions cannot be regarded as a single entity. As the earlier outline of the powers and functions of each showed, in total they present a complex range of opportunities for influence. Both existing lobbying literature and the findings from this research reveal, however, that there are some common features of business lobbying activity based on the characteristics of the institutions concerned and their role in policy formulation and decision-making processes.

The Commission as a Prime Target: the Commission is still the prime target for would-be lobbyists. This is where ideas which may form threats or opportunities for business are generated. Access may, however, be achieved at various levels, from Commissioner and Cabinet, through to the various grades of official operating within its 23 Directorates. Organisations which have developed some expertise in lobbying stress the importance of contacts at 'A' and 'B' grade within the Commission, as this is where much of the policy formulation takes place within the guidelines set at more senior levels (interview:18). This is not an environment where 'going in at the top' will necessarily achieve the best result, and one of the main reasons for this is that by the time proposals reach 'Cabinet' level, complex consultations will have already taken place, and expectations set in various areas, which will be more difficult to influence. A further reason for this preferred approach is the advantage of getting information earlier in the policy formulation stages, and therefore increasing the preparation time for response. Technically sound, well presented arguments in support of a case are important. Getting information as early as possible to achieve this is a key motivation for companies and interest groups.

Approaches to influencing the Commission may take many forms. Informally this may be through personal contact through meetings, telephone conversations and lunches and the development of a network of contacts across the various Directorates. More formally it may be through participation in the numerous advisory committees and working groups which support the work of the Directorates. For individual companies and nationally focused interest groups, contact is often through the relevant *national* official placed within each directorate, which is logical given cultural and linguistic issues.

The Council of Ministers and National Government: as the final arbiter of legislation, the Council is also a key target for lobbyists, but with a significant qualification. Its members are lobbied on issues as they affect the national interest. This means influence is exerted chiefly through contacts with the relevant *national government departments*, and through the various Representations of national government in Brussels, for example, UKREP. Exceptions can occur however. A recent example of lobbying activity in the shipping industry certainly demonstrated that if the private interests are powerful enough, senior ministers who form part of the Council are directly approached. The advantage is that if one's own government can be persuaded to adopt a favourable position as the national line, this will be defended in a forum in which the decisions are actually made. Though this carries some risks as a single strategy for lobbyists, given bargaining between different national interests in

the Council, it is a significant target even if it is usually approached indirectly through national governmental channels.

The Increasing Importance of the European Parliament: the Parliament is regarded as an increasingly influential actor and potential access point for influence by those directly involved in lobbying. One multinational's public affairs specialist commented *'it's naive to ignore the role of the European Parliament as there is high level contact between Commissioners and MEPs. At all those cocktail parties Commissioners and MEPs are rubbing shoulders with one another and it's not just social chit-chat.'* (interview: 2). The result of a more widespread appreciation of the power of the European Parliament is a growing level of lobbying activity directed towards MEPs, so much so that MEPs have now called for controls on lobbying activity, initially in the form of a register of lobbyists. Jacobs, Corbett, and Shackleton note that around 200 passes are issued every day to visitors to the Parliament and of these *'it is estimated that 150 per day are lobbyists'* (1992, p.257). The 'cultivation' of contacts with MEPs is now accepted as a necessary part of the lobbyists' activity. Even before the introduction of the co-decision procedure, the growing importance of the European Parliament was noted: *'Lobbying of the EP continues to grow apace because even if MEPs at present have limited ability to influence policy outcomes they have the ability to embarrass the Council and this could be used more effectively in the future'* (Lodge, 1993, p.33). Although companies without direct experience of contact with EU institutions still appear relatively unaware of the powers now vested in this institution since 'Maastricht' (interview: 4), business interest groups directly engaged in lobbying, now devote effort to cultivating contacts with MEPs of different political persuasions and different nationalities. For example the CBI now has a specific team which manages contacts with parliamentarians (although this is not part of the Brussels office).

4.3 Lobbying Participants

Business response is represented in a number of ways, and by a number of potential participants in the lobbying arena. Perhaps the most appropriate description of each of these is 'policy participant' (McLaughlin, 1993, p.3). This can encompass both individual organisations or interest groups. They may be individual companies, sectoral groups, cross-sectoral groups or special focus groups.

Individual companies: individual companies' attempts to influence the EU cover a wide spectrum of activity, from intermittent contact with decision-makers to an office in Brussels. Andersen & Eliassen note that all major European firms as well as some

American and Japanese firms engage in lobbying EU institutions and many have established offices in Brussels (Andersen & Eliassen, 1991, p.40). Some companies consider the complexities of keeping track of developments and being 'on hand' to influence as necessary, require a presence in Brussels and are prepared to fund the costs of office and living expenses for one or more representatives. Marks and Spencer, ICL and GlaxoWellcome are some of the many examples of such companies. Others such as Rank Xerox and Whitbread may base their representatives within the UK and accept the substantial amount of travelling to and from Brussels (interviews: codes 1,2,3). This is despite the presence of interest groups representing the interests of these firms (Grant, 1990, p.10). Reasons for different approaches to the location of company representatives may vary from perceptions about the level of regulatory activity, threats and opportunities, or from considerations such as ensuring that representatives do not 'go native' i.e. that they primarily represent the company's viewpoint to the decision-makers and not the other way round. Whatever the individual reasons for selection, there is some suggestion that a premier league of professional lobbyists has formed (Van Schendelen, 1994, p. 291) and this undoubtedly includes company lobbyists.

Companies' approach to the appointment of in-house representatives varies. Some look for knowledge of government machinery and will appoint ex-civil servants or diplomats (ICL), others stress the importance of company and product or service knowledge as key to presenting strong, technically sound arguments to decision-makers (Rank Xerox). There may also be issues relating to senior company staff being more comfortable with an individual from the same organisational 'culture' and to the sensitivity of some of the issues being managed. Common to all approaches is that these appointments are viewed as senior within the organisation, of strategic importance, and that the Board of Directors usually has a key role in deciding the resourcing and approach.

Professional Lobbying Organisations: the expansion of the activities of professional lobbying firms in Brussels has already been noted. These are often offshoots or law and accountancy companies, but there are also some specialist organisations, such as Lowebell, or Market Access. Interviews with Commission officials confirm that there is fairly constant dialogue with individuals representing these organisations (interviews: codes 31,33,34). With two exceptions that were identified within the scope of this research however, these 'contacts' took the form of requests for information, rather than the presentation of information on behalf of a company or business interest group. Although it would be unfair to draw firm conclusions from this, there is enough evidence to question Robert Hull's statement that *'the futurelies with professional*

lobbying firms' (Hull, 1993, p.86). Hull's views may be based on the perception that the EU political environment will develop along the lines of Washington, though by his own admittance, an equivalent lobbying arena certainly does not exist at the moment. The findings from this thesis do not support this view. Firms using external professional lobbying services appear to exploit these for guidance on who to contact and how to present a case, rather than as direct representatives of the company itself.

Law Firms: closely linked with professional lobbying organisations are the law firms which advise companies on the legal aspect of presenting a case to the EU. As the EU's main output is regulation based on treaty provision, combined with growing case law from ECJ rulings, it offers rich business opportunities to legal firms. Their role in lobbying seems however to be one of monitoring legislative developments, and analysing the implications of these in order to produce arguments for or against proposals. According to one survey (Clifford Chance, 1994 p.2), they are perceived to be very good at this. As chapter 6 will show, there is some evidence from the research into Road Freight, that company legal specialists are the focal point for reviewing EU policy developments in firms without public affairs specialists, and they are certainly used by associations (interview: code 17). The growth of professional lobbying services coincides with the Single European Act, and with the enforcement of competition rules in particular. In addition a growing body of judgements from the European Court have made legal expertise more important across a wide range of social and economic issues.

National and European Sectoral Groups: the organisations which fall into this category are trade associations or federations at national level, and federations at European level. Interest groups such as the Association of the British Pharmaceutical Industry (ABPI), the Freight Transport Association (FTA), the Road Haulage Association (RHA), the Chemical Industry Association (CIA), and the National Farmers Union (NFU) are long established business interest groups and have, over the years developed strong ties with national government departments. Some national organisations have representatives in Brussels, others will channel their influencing activity through European or international federations based in Brussels, and some do both. The European Federation of Pharmaceutical Industry Associations (EFPIA), and the European Chemical Industry Council (CEFIC)^{*} are the European federations of national organisations. ABPI and its sister organisations across Member States are represented by the European federation EFPIA, while CEFIC performs a similar role for national chemical industry associations. Greenwood and Ronit's work on pharmaceutical industry interest representation and earlier work by Grant, Paterson & Whitston on the chemical industry shows that while these groups are not without their

^{*}though CEFIC also has direct company membership in addition to national federations

problems in terms of their mandate, both EFPIA and CEFIC have carved out a particularly strong role for themselves. Greenwood and Ronit in particular show that within the pharmaceutical sector EFPIA's position challenges the idea that all Euro-groups are weak (Greenwood, Grote & Ronit, 1992, pp 5-6). This does not deny the problems that both European and national trade associations face in terms of interest representation. Both at a national and European level they do not always represent all interests within a given sector, and opinion is divided on the quality of the representation that does take place. A recent benchmarking exercise on large trade associations noted in its results that *'only 44% of [UK] associations felt that their European association was effective and there was little correlation between the size of the subscription and effectiveness'* (Compass Partnership, 1996, p.13)

The fragmentation of representation is a distinct disadvantage at both national or European level, but particularly so for European decision-makers given the complexity of their environment. They are seeking to minimise the amount of effort involved in achieving consensus on policy proposals, and maximise the chance of successful adherence to the legislation which arises from this (McLaughlin, 1993, p.14). These objectives are more easily achieved in a situation where trade associations have both membership coverage of firms within the sector, and a degree of authority in ensuring compliance with agreements. The more concentrated the sector, and therefore the fewer the firms that are involved, the easier it is to achieve these goals.

Despite such concerns however, trade associations are well placed to supply the Commission with technical information needed to ensure viable legislation. This is because of their knowledge of the industry and its products or services. Only direct company contact is likely to be as productive from this point of view. However, the advantage of the trade association over the individual firm is that it has the potential to deliver a consensus view. It is in the Commission's interest to consult with interests that can achieve a consensus for very simple reasons. It reduces the workload, speeds up the process, and is seen as more 'legitimate'. Conversely, this advantage from the Commission's point of view may be perceived as a disadvantage by an individual company. Hence the appeal of an individual route or combination of both individual and associational action.

National and European Industry Groups: these comprise a number of different participants, such as industry associations, Chambers of Commerce and groups such as the European Round Table of Industrialists.

Industry Associations: these are agencies at national level such as the CBI in the UK, Confindustria in Italy, BDI in Germany which seek to represent industry and more specifically *employers* interests to national government. Though relationships with government and the exact brief for each may differ slightly from Member State to Member State, they have an industry-wide remit and are largely concerned with horizontal policy issues, for example social legislation, which may affect industry as a whole. Certainly within the CBI a very distinct line is drawn between these issues, and the more 'technical' sectoral issues which are seen as the preserve of the trade associations (interviews: 21,22). Each national industry association is a member of UNICE, the Union of Industrial and Employers Associations. This was established in 1958 by the original six Member States of the European Community and is recognised as one of the 'social partners' through its membership of ECOSOC. UNICE's stated mission is '*to influence the European legislators in favour of the competitiveness of European companies*' and to '*help the decision-makers make better decisions*' (Tyszkiewicz, 1996).

Although each national federation is represented by UNICE, all have established a presence in Brussels, with varying levels of resource dedicated to developing and maintaining their own long term relationships with EU decision-makers, maintaining links with UNICE and advising members on developments. According to one source within the CBI (interview: code 21) approximate numbers of staff across the various associations range between 4 and 8, with the CBI having gradually expanded from two staff to its current quota of 5. In 1996 there are 18 UNICE staff at Executive level and there is extensive support from various committees, commensurate with their formal role as consultation partner with the Commission.

The CBI was one of the earliest arrivals in Brussels, in 1971. This was before the UK's accession to the Community in 1973. Other industry associations, despite dedicated 'European' offices, have not necessarily been located in Brussels until fairly recently, for example the German BDA and BDI set up office in 1991 (Interview:21)

Chambers of Commerce: another cross-sectoral group of policy participants are the national Chambers of Commerce and their European federation, Eurochambres. Chambers exist in all Member States within the European Union although there are differences in the relationship between national governments and each national chamber association. For example, in Germany, membership of a Chamber of Commerce is compulsory for firms. Funding is generated by tax levy and compulsory subscriptions, whereas in the UK, membership is voluntary and Chambers are funded by voluntary fees and subscriptions (Bennett, Krebs & Zimmermann, 1993). Eurochambres states

that in the majority of countries 'Chambers' have public law status and therefore have privileged access to national and local government policy formulation and decision-making processes. Despite these differences however, Chambers uniformly have a focus which is predominantly local, and which in theory forms a special route for the representation of small and medium sized enterprises (SMEs) to EU institutions.

National Chambers are represented at a European level by Eurochambres. This is a federation of the national Chambers of Commerce in 31 countries (some outside the EU). Eurochambres was formed in 1958 and has 4-5 executive staff based in Brussels. It represents the views of its member companies, now 14 million in total. It estimates that over 95% of these fall into the SME category, and the organisation is now officially recognised by the Commission as the representative of SME interests. Like UNICE therefore, it is automatically consulted on all legislative proposals. Eurochambres has particular links with DGXXIII and in the communication of the views of this cross-section of business interests on economic and social issues. Again, like UNICE, though it is recognised as the consultation partner for Chambers across Europe, most Member State chamber organisations have also located offices in Brussels. The Netherlands and the UK are the exceptions to this (interview: 25). Cost implications are the inhibitor in the case of the UK (interview:24).

Special Focus Groups: these include such organisations as the European Round Table of Industrialists, the Association of American Chambers of Commerce (AMCHAM). They may represent various industry groupings which cross national or sectoral boundaries. Of these, both AMCHAM and the European Round Table deserve special mention because they represent particularly influential groups.

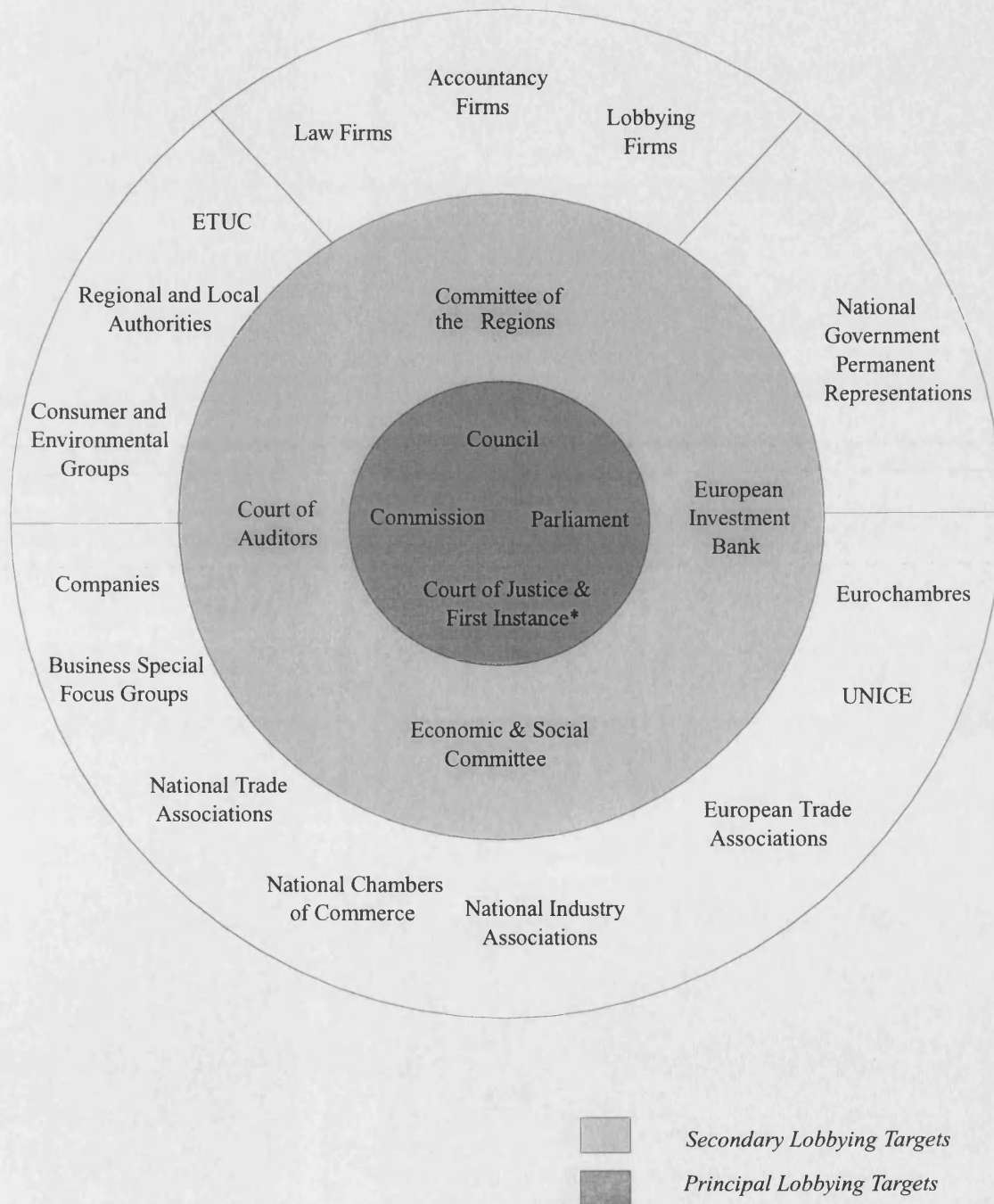
The European Round Table of Industrialists was founded in the early 1980s on the initiative of Peter Gyllenhammar, the Chief Executive of Volvo. It consists of the Chief Executives of major European industrial corporations such as Philips, Fiat, Siemens, Gevaert etc. Membership is by invitation only, and it currently has around 43 member companies. Given the economic power of the firms represented, it is one of the most influential private interest groups within the European Union. It is concerned with political and economic issues at the highest level as can be seen from its involvement with the Single Market initiative. In 1985 Wisse Dekker, head of Philips, presented the Round Table's proposal on what was to become the '1992' programme. Whether or not this was the '*conceptual blueprint for Lord Cockfield's White Paper*', which formally launched the 1992 programme five months later' as stated by Gardner (1991, p.47), Lord Cockfield certainly comments on the 'tireless' campaigning of Wisse Dekker about the programme and in particular the proposed date for completion of the Single

Market (Cockfield, 1994, p.33). This group represents a powerful lobby, with access to the highest levels of national and European government.

The EC Committee of the American Chambers of Commerce is another influential group with a particular membership and focus. Its objective is both to defend the interest of its American member companies and to influence the direction of decision-makers thinking by representing information from the standpoint of American business organisations to those same decision-makers. Its work is highly regarded for its professionalism by EU institutions and by its member companies (Andersen, 1992, p.98). As formal channels of consultation are by implication closed to this group (for example membership of ECOSOC and other standing committees) its work is conducted on an informal basis through individual contacts. Companies such as Ford, IBM and Rank Xerox are members. It does however have the advantage of having an elite membership of companies, which represent some of the biggest multinational corporations and major employers within Europe. Gardner estimates there were 80 member companies in 1989, who in addition to sheer size, have the advantage of being pan-European in operations and outlook and therefore a source of information about the barriers and difficulties which needed to be addressed in the creation of a Single Market (Gardner, 1991, p.42). As an important source of information for decision-makers therefore, it is very well placed to exploit this advantage to its maximum. Companies such as Rank Xerox, despite investing in their own in-house lobbyists, still use this organisation as a major route for exercising influence (interview: 21).

4. 4 Company Response to Influencing Opportunities

The EU provides opportunities for influence both through the growing scope of its policy remit, and the complexity of its institutions. The response to this has been an increase in business lobbying activity, and the growth of direct representation to EU decision-makers (Mazey & Richardson, 1993a, p.6; Andersen & Eliassen, 1992, pp 38-41). The characteristics of the political framework in terms of its uncertainty, complexity, and the information asymmetries these generate, support the preconditions for influence activity. As Gardner notes '*the low-ranking Eurocrat working on a technical proposal frequently suffers from a "European information deficit" all of his own. He may be the only government official assigned to develop a proposal in a highly technical area. His counterparts in the national ministries of EC countries may be reluctant to share technical information with him because they are fearful of adverse economic consequences for "national champion" firms or because they resent the growing displacement of national regulatory authority by the Commission. Having a reasonably objective source of technical information and advice can thus be vitally*



*Courts included for completeness

Figure 7 The Lobbying Arena in Brussels

important to a frantically busy Eurocrat attempting to harmonise the divergent regulatory schemes of 12 sovereign states.' (Gardner, 1991, pp 66-67). In response to these opportunities, the 'Brussels' lobbying arena can be seen to be populated by a variety of interests which service the requirements of firms for influence (see figure 7). These may be European, national, or represent special focus groups which focus on particular issues. The presence of European level interests in Brussels, for example European federations of national trade associations, does not preclude the presence of those national trade associations, or individual firms which they may represent. The picture is one of a complex network of organisations which not only interact with government agencies, but also co-ordinate information flow and influence activities between themselves. It also indicates there is something about direct contact with decision-makers which is highly prized. As the following sectoral studies show, this 'need' for contact does not necessarily suggest a lack of professionalism on the part of collective representatives or their lack of credibility with EU decision-makers. It indicates more fundamental reasons about the nature of the relationship between business and government, and the continuing tolerance to that contact by decision-makers.

The lobbying arena in Brussels presents a multiplicity of ways in which companies may choose to influence decision-making, both from the point of view of national and EU governmental institutions and the tolerance of both direct company approach to decision-makers and indirect methods through various interest groupings. The response of individual companies to the opportunities presented by this new political framework varies, as the later investigation into contrasting industry sectors will show. However, some broad preferences in terms of company lobbying emerge from existing sectoral and company studies.

Active Strategies: at one end of the scale, the most active approach involves establishing on-going relationships with decision-makers, being involved in the very earliest stages of policy formation, membership of consultative committees. It means establishing a position where it is possible to influence the directional thinking of decision-makers, not just respond to and influence individual issues (R. Hull, 1993, p.83). Its hallmark is the development and continuous husbandry of relationships with members of government, both bureaucrats and politicians, directly with the company. This approach is also characterised by intervention early in the political decision-making process, rather than at the later stages in reaction to proposed legislation, when this may be in the final stages of ratification, and where debates are within a national context. It is also concerned not just with the management of risks, but the development of business opportunities. The description of the activities of express

courier companies in the case of European Postal monopolies shows this (Campbell, 1994, p.123). It is concerned with attempts to change the external political and economic environment. This approach also goes hand-in-hand with the use of in-house or professional lobbying resource where direct contact is made by the organisation with governmental decision-makers. Another characteristic of this approach is a focus not just on 'vertical' or sectoral issues, but a concern to become consultation partners for more 'horizontal' issues, such as social and environment policy (interviews: 1,2,3). At an individual level, companies may have their own public affairs personnel who act as lobbyists on their behalf, or they may use the services of an external agency such as a law firm, or professional lobbyists.

Some firms will use the both internal resource and outside advisers as part of their approach. If for example detailed legal knowledge is required in order to present a case, then they may use outside expertise to provide this. Similarly, companies involved in lobbying for the first time may use political consultants in order to identify, approach and establish key contacts. Interestingly, companies take different views of the skills they require from public affairs specialists. These are sometimes outside appointments, ex-diplomats for example, brought in for political know-how. Other companies appoint individuals from within the organisation, considering that it is knowledge of the company, its objectives and operations that is key. Where companies are prepared to expend resource in funding a public affairs specialist, it appears to be viewed as a strategic role. Companies may also however engage in influencing activity through collective interest groups such as trade or industry organisations, or special focus groups. These groups may exist at an international, European or national level, sometimes within sectoral boundaries (the International Road Haulage Union for example) and sometimes determined by cross sectoral issues (the European Round Table). For some companies national government could almost be designated *one* of the collective interest groups which populate the lobbying arena, albeit one with special powers in the context of the EU .

Passive Strategies: at the other end of the scale, companies may simply choose to review information about proposed legislation. They take very little individual action and chiefly use interest groups to represent their views, rather than having direct contact with decision-makers. They use a collective approach to exert influence and this is basically an approach focused on adaptation and compliance. The direct contact with decision-makers is usually left to interest group representatives, of which trade associations appear to be particularly important within the context of the UK. Relationships with interest groups may however be active or passive. Interest groups are themselves 'lobbied' in order to take up, or to heighten activity in response to

particular issues, but this study indicates that it is the companies with an active lobbying approach that provide the impetus for action within interests groups. For example, multinational firms were responsible for encouraging the active involvement of the Freight Transport Association in the Single Market Initiative (interview: code 18). The concerns of firms adopting a passive approach, on the other hand are more likely to concentrate on vertical or sectoral issues and not the broader economic, social and environmental ones.

In summary, individual company behaviour cannot be interpreted solely in terms of a choice between individual or collective action. Companies with an active approach to the influencing opportunities presented by EU institutions and policy development, use both the direct approach to decision-makers, and work through interest groups. In other words they use *multiple influencing routes*. These companies also seem to be active shapers of the influencing strategies of the various interest groups to which they belong. Representation within a recognised group is clearly important as various sectoral studies of lobbying indicate. The network of interest groups also offers an important channel of influence, even for the largest companies. The selection of individual and collective influence strategies are not, therefore, mutually exclusive. There are good reasons for collective action, a key consideration being that it is seen as politically legitimate (Cawson, 1992, p.117). One insider's comment on the importance of collective action was that in order to be successful in lobbying, firms need to ensure that they could 'collectivise' the issues under debate, for just this reason. It also has other advantages, possibly indicating that interest groups may act as a cover for the capture of company-specific benefits (Cawson, 1992). Depending on the size of the group and the particular characteristics of the industry it can also have benefits in terms of the degree of self-regulation that is permitted by government. This is the idea of 'private-interest government' (Streeck & Schmitter, 1985), but it is dependent upon strong, cohesive collective approach and actions, characteristics have been identified by Greenwood and Ronit, both at national and at European level in the pharmaceutical industry (Greenwood, & Ronit, 1992), despite the apparent 'pluralist' features of the lobbying arena in Brussels.

If collective action is so important however, the issue to examine is why firms act as individual lobbyists at all. Also, why the EU governmental machinery tolerates this activity. If we assume that both parties behave in a rational, self interested way, then the answer must be that there is some benefit in this behaviour, over and above that gained in collective action. In other words, there must be the potential for both individual firm benefit, and benefit from the point of view of EU political institutions.

The starting point for this study was the proposition put forward in chapter 2 that the political framework, its institutions and policies both create the opportunity for, and contribute to the level of, influence activity. Those opportunities relate to the degree of information asymmetry between decision-makers and interest groups, and its relationship to the degree of complexity and uncertainty in the decision-making environment. Chapter 3 shows that the EU presents a highly complex decision-making environment of political institutions which have gradually extended areas of policy competence vis-à-vis national governments. This chapter shows that, viewed at a general level, the response of business interests has been to increase influencing activity, the symptoms of which are a visible and well-documented rise in the number of lobbyists and lobbying organisations based in Brussels.

4.5 Sector Response to Influencing Opportunities in the EU

The picture which emerges at the sectoral level, is that industry and trade associations can be represented at both national as well as European level within Brussels. For example the CBI, as well as UNICE, also has an office in Brussels. Companies may also be present as well as their industry and sectoral representatives at national and European level. They may employ the services of various professional organisations, lobbying firms or law and accountancy firms, to act on their behalf. Companies may also be part of special focus groups which seek to influence on particular issues, i.e. where it is the issue rather than product or markets or national/ regional boundaries which define the 'interest'. There are therefore a variety of influencing strategies that individual firms may adopt.

National interest groups can also pursue independently what Greenwood calls the 'Brussels strategy'. That is, go direct to EU decision-makers and may even go as far as investing in a permanent lobbying presence in Brussels. Considering the key characteristics of the industry is important. For concentrated, transnational sectors, national lobbying resource may not be so important compared to more fragmented, nationally focused sectors. The question is whether this is sufficient in itself to result in the 'Brussels strategy', given that sector influence can be exerted through national channels (national civil service and national government representation at the Council of Ministers). This raises therefore not an issue of co-ordination, as above, but an issue of purpose. What benefits do national collective interests achieve through their presence in Brussels, which could not otherwise be achieved, and how does this relate to members interests? The sectoral study of road freight suggests that adoption of the 'Brussels' strategy, and in its extreme form the location of representatives in Brussels, is

linked to the needs of particular firms within the membership which combine with the strategic interests of the interest group itself.

What the sectoral studies in Chapter 6 & 7 will examine is how firms respond both as individuals and collectively to opportunities for influence. This relates to firm and industry characteristics which are important factors in the organisation of influence, and how that influence is exerted within the context of EU institutions and policy-making. They will show that collective action in sectors which are characterised by concentration, large firms, and transnational interest are likely to have fewer co-ordination problems at the European level, due to the smaller number of firms involved, and the greater similarity of issues they face. Sectors which are characterised by fragmentation, including that which is caused by national differences, are at the other end of the spectrum, and they will experience greater difficulties of co-ordination.

Chapter 5

Sectoral Analysis, Approach & Methodology

5.1 Introduction

The rationale for companies' attempts to influence their political and economic environment outlined in chapter 2 highlighted the importance of the powers, and characteristics of political institutions in providing the impetus for influence activities. This proposed that both the political framework itself and the policies pursued by political agencies contribute to the level of influence activity as a result of the information asymmetries which arise between decision-making authorities and the interests affected by those decisions.

Chapter 2 also highlighted the importance of industry structure and the competitive environment in shaping business response to opportunities for influence. It proposed that while the political framework determines the extent of opportunity for influence and the rules of the lobbying 'game', firm characteristics and the industry structure within which firms operate provide the rationale for how that influence is organised. To examine the impact of these factors, a second, more detailed level of analysis is required, which must be set within the context of the markets in which industries operate, i.e. the sector.

The rest of this thesis examines individual strategies and the pattern of lobbying at a sectoral level. It focuses on how two contrasting sectors respond to the EU political framework in order (1) to draw out comparisons between their industry structure and competitive environments and (2) to link these to the influence strategies of firms and the organisation of influence within each sector.

5.2 Approach

5.2.1 Comparative Approach: the influence strategies of firms, and the organisation of influence in two sectors have been examined within the context of the key industry characteristics. The approach to the second part of the thesis is therefore comparative. It is essentially concerned with differences and similarities in the influence strategies and lobbying behaviour of individual firms, their relevant interest groups, and the pattern of interaction between these and EU institutions in different sectors. This comparison is an important aspect of the thesis because its purpose is to explore the links between industry environment and the behaviour of individual firms within their

competitive environment. It looks at the process for exerting influence and compares these within two distinct business structures and competitive environments. The proposal, based on the rationale noted in chapter 2, is that contrasting industry structure, will result in different patterns of interaction with EU decision-makers, and that these are linked to certain key industry characteristics. While recognising that a comparative exercise across two sectors will not produce absolute conclusions about causal factors, it provides a more formal framework for analysis than exists in current literature, where single sector studies predominate. This framework focuses on examining the following aspects:

- * **Industry structure and competitive environment**
- * **EU policy development and policy initiatives**
- * **Company and sector response in terms of influencing**

Firm characteristics and industry structure are identified from existing literature on each sector, and from trade association publications. EU policy development and policy initiatives are analysed from EU documentation and trade association information. Company and sector influencing strategies are established primarily through interviews with companies, interest groups, and governmental representatives in the case of road freight, and from existing literature, supplemented by additional interviews for the pharmaceutical sector study.

5.2.2 Stages of the Research: the research involved two stages. The first stage encompassed preliminary interviews across a range of sectors additional to the two to be examined in detail. These were selected in order to reflect relative degrees of concentration or fragmentation within different sectors, and to include both manufacturing as well as services. The interviews targeted a range of companies and sectors. Preliminary interviews took place with senior members of management within companies, some of which were public affairs professionals, employed within the IT, Electronics, Pharmaceuticals, Road Freight, and Retail Sectors. The purpose was to explore both company and sectoral behaviour, and to identify developments in the approach adopted to influencing the EU. The interviews confirmed a wide variety of approaches to influencing the EU, and in particular internal company factors influencing the choice of individual action (through in-house or professional lobbyists) or collective action (through trade associations). Although all the interviews were unstructured, interviewees comments were recorded. All interviews are detailed in appendix 1.

The preliminary interviews confirmed the importance of information gathering by interview. Due to the sensitivity of lobbying issues for companies, and the nature of some of the questions asked, it was unlikely that postal survey techniques would prove effective. Hence a decision was made that all subsequent research in the thesis had to use interviewing techniques.

The second stage involved interviews with representatives from the two sectors under consideration, and was based on both structured and semi-structured interviews incorporating findings from both existing lobbying literature and the results of the preliminary interviews. The sample was more closely defined taking into account the segmentation of the two sectors chosen for analysis, and focusing on two particular areas (public haulage for road freight and ethical pharmaceuticals for the pharmaceutical industry).

5.3 The Sector as the 'Explanatory Unit'

The choice of the 'sector' as the focus of the research was made because it represents not only a policy community within its own right but also a competitive community. Firms do not operate in a vacuum either in terms of the government policies to which they are subject, or with respect to their markets. While therefore the concept of 'the sector' is not without difficulties and care needs to be taken about its definition for research purposes, its position as the main focus of analysis in lobbying literature is justified.

Studies of lobbying activity are by their nature about relationships between individuals or organisations, or groups of organisations. Understanding the individual organisation is important in terms of data gathering (e.g. the company), and represents one level of analysis. The explanation of the data gathered is dependent on another level of analysis, which recognises these relationships within a wider context (e.g. the sector). This distinction is noted by Ragin, as part of his treatment of comparative methodologies within the social sciences. He highlights the need for clarification of the term unit of analysis and proposes that this covers two elements; observational units and explanatory units. *'Observational unit refers to the unit used in data collection and data analysis; explanatory unit refers to the unit that is used to account for the pattern of results obtained.'* (Ragin, 1987, p.9)

This study reflects this distinction in that it examines the way in which companies exert influence on EU institutions. It does so through examining their strategies both as individuals and collectively through interest groups and whether or not they engage in

lobbying as part of their strategy. The findings are interpreted within the wider context of the sector both in terms of industry structure and competitive environment.

5.4 Choice of Sectors

The choice of sectors for investigation is based on the key characteristics identified in chapter 2. From existing literature these are factors which are implicated in the emergence of particular influence strategies for firms, and the organisation of influence within sectors. These factors are summarised in the table below:

| Key Characteristics of Industry Structure | |
|---|--|
| Group 1 | Group 2 |
| Strategic Nature | Non-Strategic Nature |
| Operations - Transnational | Operations - National |
| Structure - Complex | Structure - Simple |
| Products - High Technology | Products - Low Technology |
| Capital Intensity & Profit Margins - High | Capital Intensity & Profit Margins - Low |
| Concentration - Few Competitors | Fragmentation - Many Competitors |
| Firm Size - Predominantly Large | Firm Size - Predominantly Small/Medium |

Table 1 Basis for Sectoral Comparison of Industries & Influence Strategies

Companies within the first group have a high level of interaction with national government for reasons of size, strategic economic importance, and sometimes relatively high levels of government regulation. There are existing studies of influence strategies and lobbying activity for this group. Companies within the second group, are less well represented in existing literature. This presents a rather one-sided view of business lobbying in the EU, given Eurochambres estimates that 95% of businesses within the EU are in the SME category (Eurochambres, 1994). It also makes a comparative exercise difficult. For this reason, new research has been undertaken into an industry sector which falls into the second group, while existing findings for the first group have been developed using additional research in order to strengthen the comparison.

For the new research, the UK road freight sector was selected. This met the criteria for sectors within Group 2 (table 1). Existing research on the Ethical Pharmaceutical industry, as well as the preliminary interviews, suggested this was an appropriate sector for comparing an industry which displays the characteristics of Group 1 (table 1).

5.5 Road Freight Sector: Definition & Research Methodology

5.5.1 Definition: the Road Freight sector can be subdivided into a number of specialist areas. The main division that exists, is between the 'own account' operators, and public haulage companies. Own account operators are companies whose main business is not road freight, for example they may be retailers or pharmaceuticals manufacturers, but which run their own fleet of vehicles. Public haulage companies, as their name implies offer a range of services on the open market. These do not necessarily just supply vehicles and drivers. There has been a move within the UK for larger companies to offer a range of 'logistics' services, including complex warehousing and distribution facilities as well as the organisation of multi-modal transport needs for customers. The research focuses on public haulage companies i.e. those for whom freight is a major focus of their activity, and road freight a significant part of this.

5.5.2 Methodology: existing research into the transport sector, consultancy reports, European and national trade association data were used to build a picture of the sector. EU documentation (the Official Journals) provided information on EU policy development and issues, as well as the FTA's archives. The latter provides a valuable source of information on the industry response to initiatives. The methodology for gathering data on company and sector response in terms of influencing strategies involved the following research sequence:

| | |
|-----------------------------------|------------------------|
| *company interviews | structured |
| *interest group interviews | structured |
| *policy-maker interviews | semi-structured |

Company interviews: these were organised into three main sections. First, to obtain basic information about the company, its structure, and services. Second, to explore how the company receives information about EU policy developments, and how it responds to this in terms of influence strategy. Third, the effect of policy initiatives linked to the Single European Act were explored in terms of their impact and the reaction of the company to these developments. This specific response tested out the more general statements made about preferences for exerting influence, and also allowed exploration of some more subjective statements about the company response to 'legislative interventions'.

Interviewees were identified and selected through discussion with the UK trade associations, which assisted in the identification of appropriate companies and key

government representatives. Criteria for the selection of the companies, were based on turnover, and an element of European freight operation.

The interview questionnaire was piloted with one company (BOC) in order to test out the appropriateness of the questions, and suitability of the format. An issue which arose from this concerned the cost of monitoring EU legislation, and influencing activities resulting from this. The pilot showed this was difficult for companies to gauge, given that the impact was slight, and dispersed across a number of areas within the firm. This contrasted with the response of trade associations, where costs could be identified, at least in terms of FTE. It was decided to leave this question in place, although the anticipation was that few companies would be able to respond with quantitative data.

A stratified sample was selected to include a small, medium and large firms within the sector. Following the pilot interview, it was expected that the preference for individual compared with collective action was only likely within the largest firms. For this reason the sample represented the larger organisations within the total freight sector, excluding the very smallest operators many of which are one or two vehicle owner drivers. The sample represents however, an extremely large variation in firm size and includes those which would be classed as SMEs. The sample only needed to be small due to the other interviews which took place with government and interest group representatives which helped to complete the picture of representation in the sector. The expectation from preliminary research was that there would be little variance in company strategies. While therefore the possibility of a increased number of company interviews was kept open, in the event the data gathering from all sources confirmed (at the end of the interview schedule) that further work would not alter the emerging picture, and indeed that variance of strategies between companies of the same size was small.

Interest Group interviews: these were structured, though not all questions were relevant to every interest group representative approached, due to the different role of each representative. The questionnaires used for the interviews (see appendix 1) were designed to establish the membership of the group (how it related to the companies within the sector), the structure and management of the organisation, the groups response to the development of EU institutions and policies in terms of resource and organisation, the current approach to influencing EU decision-makers, and the relationship with other interest groups. Interest group interviews covered industry and trade associations at a UK and European level.

For some organisations, more than one person was interviewed. For example, several individuals within the CBI and FTA are involved in monitoring policy development and in lobbying activity, and each was interviewed in the course of the research.

Government Representative Interviews: the inclusion of representatives from both national government and the EU had two objectives. First, this was essential to test the emerging picture about company influencing strategy and sectoral patterns of influence (how both companies and interest groups have responded to EU institutional and policy development). Second, it enabled the identification of key points of contact from the *policy-makers viewpoint*, and any new, emerging groups that may not have been apparent from preliminary interest group and company interviews. Third, it enabled a comparison between the consultation methods and avenues for influence open within the national government, and those within the EU.

Government Representatives interviewed were from the UK Department of Transport and DGVII (Transport) and DGXI (Environment). It also included interviews with UK Representation in Brussels. Individuals were either Department Heads, or A/B Grade Officials. The MEP interviewed is a member of the Transport and Tourism Committee of the European Parliament.

The interviews were semi-structured. They were designed to check both the consultation processes and confirm key consultation partners. They also allowed some exploration of trends in lobbying activity. That is, who makes the approach, whether this has changed over a period of time in terms of who lobbies, and the amount of overall contact. It also provided an opportunity to review some of the policy initiatives affecting Road Freight, as well as general perceptions about the level of lobbying activity.

5.6 Pharmaceutical Sector, Definition and Research Methodology

The new research into the Road Freight sector forms one part of the thesis. This provides the analysis of influencing strategies and lobbying activity within a particular industry sector that has been little examined in previous research; it is fragmented, nationally focused, low technology, low profit margin and dominated by small firms. The comparison provided in chapter 7 by the pharmaceutical industry, uses existing research chiefly by Greenwood and Ronit (1992), amplified by new interviews.

5.6.1 Definition: the same issues with regard to defining the 'sector', noted for road freight, apply to the pharmaceutical industry. Pharmaceuticals has a number of different

segments which, taken as a whole, would not have the particular characteristics required for comparison with road freight. If, for example, all pharmacists, or producers of over-the-counter medicines, or all new biotechnology companies were included in this category, there would be a strong argument for designating it 'fragmented' rather than 'concentrated'. One segment, however, the producers of ethical (or prescription only) pharmaceuticals, displays industry characteristics which provide the required contrast to road freight. These characteristics are: concentration; international markets and operations; advanced technology; and high profit margins with differentiation by product rather than price. Although it will be referred to under the general title of 'pharmaceuticals', it is the *ethical medicine sector* which is the focus of chapter 7. It is also a regulated sector at national level. There is direct government intervention in the market through price or profit controls.

5.6.2 Methodology: the methodology for the pharmaceuticals research differs from road freight in that it is chiefly based on existing work by Greenwood, and Greenwood & Ronit. Findings are therefore preceded by a review of the conclusions from Greenwood and Ronit on the organisation of influence within the sector. This recognises that the questions which Greenwood and Ronit seek to address as part of their research have a different slant to those which appear here, even if their findings are highly relevant to the thesis.

Following the review of Greenwood and Ronit, the chapter on pharmaceuticals follows the same basic structure of analysis as for road freight. That is, industry structure and characteristics, the impact of EU policy development, attitude of policy makers towards consultation, and company and sectoral response to this. This approach supported the need for further development of data on the sector, to explore the interaction between companies, interest groups and decision-makers required for a comparative exercise with road freight. In order to gather the data required for the thesis, information was gathered from company annual reports, EU documentation, trade association literature, and other research into the pharmaceuticals industry. Selective interviews were also carried out at both company, trade association and government level. Interviews provided additional data in particular on *company behaviour*, both from a company, interest group and government perspective.

Interviews for company, interest group, and government representatives followed the same basic format as for road freight, tailored to the pharmaceuticals environment. Interviews for the first two were therefore structured, while government contact interviews used a semi-structured format.

5.7 Conclusion

In the initial chapters, theoretical contributions from a variety of sources provided both an insight into influencing activity in terms of both the opportunity for influence and the costs and benefits associated with this. Chapter 3 contained a first level of analysis and looked at the opportunities for influence provided by the EU, and concluded that the development of its institutions, decision-making powers and processes provides a high degree of opportunity for those seeking to influence decisions, hence the 'lobbying explosion'. It focused on the changing characteristics of the *political environment* in which firms operate, and high level view of business response to this.

Chapter 4 explored business response to this political environment in more detail, examining the influencing strategies of companies, and how these translate at a sectoral level into the organisation of influence. The next two chapters develop a second level of analysis which seeks to show that while the political institutions may provide the opportunities, the characteristics of firms and the industry structure of each sector are key to determining the response, in particular the emergence of direct EU lobbying by companies, the location of professional lobbying representatives in Brussels, and its link to issues of firm size, industry concentration and transnational operations.

Finally, it is important to be aware of potential weaknesses in the above methodology. These arise from the inherent problems of relying on information from interviewees. However, to overcome these problems the interview programme was structured to ensure that data could be cross-checked using multiple sources. For example, company responses to questions about preferred influence strategies were compared with responses from trade of industry associations. Similarly, the picture to emerge from company and trade association interviews was cross-checked against the responses from government sources (e.g. Commission and UK Civil Service). In addition, the network of pilot interviews with a wider range of companies allowed further cross-checks. An important part of this whole strategy was extensive preparation that went into identifying the most appropriate persons to interview. It is believed that by identifying the key targets for interview, as accurate a picture as possible was achieved. At the same time all interviews were felt to have achieved a frank and open response which was possible by combining structured and semi-structured interview format. Most interviews lasted for over two hours.

In order for this approach to work key questions used for cross-checking had to be structured into the interviews at the three levels indicated above. Principally these related to agencies lobbied by companies and who is lobbying government institutions. While the government interviews were less structured to allow a freer discussion of issues and industry response company level, they nevertheless encompassed some specific questions in order to produce an accurate picture of influence strategies and lobbying behaviour.

Chapter 6

Influencing Strategies in the UK Road Freight Sector

6.1 Industry Structure & Competitive Environment

The Road Freight sector represents an important part of total freight transport in Europe. Statistics published by the Commission for 1993 estimate that this mode of transport compared to others (rail, air, shipping and inland waterways), varies between 53% and 90% of the total. Only in Germany and the Netherlands is there a substantial amount of freight transported by other means (CEC, *Panorama of EC Industry*, 1993).

It is also a sector which has seen a faster growth in international intra-Union freight than in national domestic trade. The report of the Committee on Road Freight Transport in the Single European Market stated that in 1986 the international market represented 25% of the size of the total domestic road haulage but by 1991 this had risen to approximately 40% of this total (*Committee of Enquiry on Road Freight*, 1994, p.25).

The growth of this sector has been given impetus by the increased demands for flexibility in freight forwarding and logistics. The rise of just-in-time strategies, and global industry and retailing demands are linked to the emergence of integrated transport strategies associated with major firms operating over large geographic areas.

Subsectors: the sector is characterised by a split between 'own account' operators, and the public haulage companies or 'hire and reward' firms. Own account operators are those companies in other sectors e.g. retailing who own and manage their own fleets. Public haulage companies, as the name suggests, are companies which are contracted to provide haulage services by others. The split between own account operators and public haulage companies is almost equal in the UK. Own account represents 49% and public haulage 51%, a significantly altered relationship from 1988. At this time, own account operators represented 60% of the total. The existence of these two subsectors is reflected by two different trade associations within the UK and in the structure of the international federation of trade associations, the IRU.

Linked to the 'own account' subsector is the presence of large companies whose core business is not road freight, but which have considerable interests in this industry. For this reason, companies such as Esso, Glaxo Wellcome, British Sugar, and Shell UK Oil

are represented on the Board of one of the national trade associations - the Freight Transport Association.

Product: at its simplest level, this industry provides services for the movement of goods from A to B. Within this however, there are considerable variations in the level of sophistication for the handling of goods, and requirements for the management of their handling. Freight may represent anything from textile merchandise, with few special requirements for handling, through to the transport of refrigerated foods, or the transport of dangerous chemicals, both of which are governed by special requirements linked to health and safety. There is also a considerable variation in the type of service provided by different firms. This may range from simple ad hoc hire services for the transport of goods, to the provision of complex logistics services involving warehousing and IT supported distribution systems.

As a service industry, Road Freight occupies an intermediate position within the product life-cycle. Its customers are producers, or retailers, which make use of road freight services to achieve a flexible means of distribution to outlets/customers. As the above Committee report points out however, *'unlike nearly all other products and service sectors road freight transport services are not provided in a fixed workplace but are continually mobile and permanently in the public domain.'* (Committee of Enquiry on Road Freight, 1994, pp 23-24) This creates special conditions for the industry, which although considered 'deregulated' means that it is at the centre of many health, safety and increasingly, environmental issues.

| Number of Firms by Turnover in the Road Freight Sector 1993 | | |
|---|---------------|-------------|
| £000 | Hire & Reward | Own Account |
| 0-50 | 15452 | 2830 |
| 50-99 | 9251 | 1073 |
| 100-249 | 5582 | 692 |
| 250-499 | 2702 | 269 |
| 500-999 | 1695 | 172 |
| 1000-4999 | 1350 | 101 |
| 5000+ | 212 | 18 |
| Total | 36155 | 5155 |

Table 2 Road Freight Sector: Size Distribution of Firms

Source: Keynote Market Research 1993

Concentration/Fragmentation: Road Freight is a highly fragmented industry. Within the UK, the Freight Transport Association estimates there are around 36,000 public haulage companies currently in operation (interview:17). The majority are small

operators running less than 5 vehicles. There is some evidence of the sector becoming more concentrated, through the growth of large haulage companies with sophisticated logistics management systems. One estimate cites that 2% of companies operate around 36% of the total commercial vehicles, that is, fleets of more than 50 vehicles (Keynote Market Research, 1993).

Fragmentation is defined not just in terms of the numbers of firms that operate within it, but also in terms of the regional spread of activity. The road freight industry is a service industry focused on a wide customer base and widespread geographic locations.

Firm Size Emphasis: the sector is dominated by small to medium-sized firms, although there are some large companies which have developed sophisticated logistics management operations. The size distribution of firms is shown in table 2, emphasising the dominance of small to medium-sized operations within the sector. However, even at the upper end of this section there is considerable variation in the size of company, many of which fall into the category of SME's.

| Group & Company Turnover within Sample | | |
|---|-----------------|-------------------|
| Company | Group £m | Company £m |
| | | |
| Large | | |
| P&O | 5000 | 700 |
| NFC | 2000 | 2000 |
| Medium | | |
| Salveson | 558 | 324 |
| BOC | 3000 | 200 |
| Hays | 600 | 80 |
| Small | | |
| Laser | - | 13 |
| Denby | - | 7 |
| Barber | - | 6 |

*Table 3 Road Freight Sector: Size of Group & Individual Companies
within the Interview Sample*

Source: Own Research

Companies approached for the purposes of the research had a turnover of between £2bn and £6m per annum, which represents a large variation in size. These were chosen to represent a range of firms from the largest to small operators, excluding only extremely small operators. Only one of the five largest companies in the sample, the NFC, is dedicated to logistics activities focused on road freight *per se*, all the others were companies which form part of groups which have diverse interests. Even P&O,

far larger as a group than NFC, encompasses a range of business activities, though these are linked to transport in various modes, both passenger and freight.

This indicates another aspect of diversity amongst operators within the sector. The larger companies are often part of a diversified group of firms (e.g. BOC), where road freight may not be the main product/service area. By contrast, the smaller the firm, the more likely that freight is the sole focus of activity.

Operations and Structure: company operations are predominantly based within the UK. Only the larger companies have operational bases on the continent, for example P&O, BOC, and NFC. The smaller European haulage companies are still based within the UK. Within the sample, the larger operators are all part of groups organised on a multidivisional basis. That is, companies which have discrete operating units, or divisions, which manage all necessary functions. The corporate or group Board may or may not have directors who are responsible for particular divisions. The largest of the *groups* dealing with transport services is P&O although the single largest road freight *company* is the NFC. None of the sample however, have responsibility for marketing and corporate affairs as a *single* function at Board level. These functional responsibilities, where they do occur, appear further down the hierarchy, sometimes at divisional director level, or sometimes at senior management level within 'companies'. The representation of the marketing and corporate affairs role contrasts with the sample of multinational companies that were interviewed as part of the preliminary investigations for the research. Here, an integral part of the structure is a corporate affairs function, within which public affairs may exist as a discrete section. At divisional or company level, boards of directors consist of individuals with responsibilities encompassing all aspects of the firms operations. These may have marketing managers working for them. The smaller companies have a single layer approach, with a small board of directors which has responsibility for operations, finance and legal aspects of the firm's business. Given the low level of profit generated by the industry such structures are logical. Pre-tax profit levels on average for the UK industry have remained around 2-3% (*Committee of Enquiry on Road Freight*, 1994, p.52).

Technology: the vehicle and engine design technologies associated with this sector are not intrinsic to it, but are provided by other sectors. These are the prerogative of motor manufacturers. For some of the larger operators, IT systems designed to support the complex logistics management are also important. These are, however, technologies which are essentially provided to, rather than provided by, the industry. The sector is not the *source* of technological innovation, but rather firms take advantage of advances in relevant technology in order to further competitive advantage within their own

market place. For example, in the use of complex warehousing and distribution systems. For the majority of small firms such a strategy is not possible due to the capital outlay required in a market place which is driven by price considerations rather than product differentiation. By implication, research and development does not feature heavily in value chain associated with these firms, in comparison with the IT or pharmaceutical sectors.

National/Transnational Focus: the sector is dominated by operations which take place in local markets. Within the UK 60% of all tonnage is moved within a radius of 50kms (Committee of Enquiry on Road Freight, 1994). For the sample of companies interviewed, those with European operations were deliberately selected, to see whether this had increased the relevance of European policy-making and legislation to their operations, and provoked a change in influence strategy. Issues related to Single Market legislation, for example cabotage, customs and border controls and taxation issues, could be expected to have a direct impact on international operators rather than nationally focused businesses.

The sample shows in all except the case of P&O & Salveson the *larger* companies are still predominantly focused on UK operations. P&O were unable to quote the percentage of business for Europe as a discrete figure, but with 50% of its business overseas, this company, along with the Salveson (60%) is the most internationally focused business interviewed among the larger operators.

| Company Operations, % UK v European % | | |
|--|-----------|-----------------|
| Company | UK | European |
| Large | | |
| P&O | 50 | 50 |
| NFC | 83 | 17 |
| Medium | | |
| Salvesen | 40 | 60 |
| BOC | 90 | 10 |
| Hays | 72 | 21 |
| Small | | |
| Laser | 5 | 95 |
| Denby | 15 | 85 |
| Barber | 20 | 80 |

Table 4 . Road Freight: Company Operations UK v European %

Source: Own Research Interviews

European operations however, do not necessarily account for the majority of this international trade, which for the largest companies ranged between 9% and 50% of activity based on turnover figures. It should also be noted that the interviewees

definition of 'Europe' in this case is a fairly loose one. It does not refer just to the Member States of the EU, but includes EFTA and countries previously designated as Eastern-Bloc. The smaller companies reflect a particular subsector with a specialisation in European operations, though their influence strategies do not seem to vary significantly between UK focused and European focused operators.

Strategic Importance: the importance of Road Freight lies in its support for industrial strategies where the co-ordination of production across wide geographical areas is key. The 1994 report on Road Freight in the Single European Market (p.31) states that *'In such industrial strategies where purchasing, production and final despatch must be absolutely synchronised, and where material sources, the production process and markets can all be spread over a wide geographical area (Globalisation), the role of transport is crucial'*. According to the same report however, international trade inside the world's 350 multinational companies accounts for almost 40% of the world trade in goods. This may help to explain the interests and activities of 'other sector' multinational firms within the Freight Transport Association.

The sector is not, therefore, a source of major EU competitive advantage in terms of innovative product development, but it is part of the required infrastructure for those companies which provide such advantage in an international context. It is not therefore strategic in the way that some advanced technology sectors, such as IT or pharmaceuticals may claim, but has a broader economic importance associated with the infrastructure needed to support these. The key point is that *individual* firms within this sector are not strategically important.

Summary: companies within the UK road freight sector exhibit a wide variation in size, structure, and focus of activity. They are predominantly UK focused in terms of operation, though there is a subsector of firms which specialise in European haulage. The larger companies may be part of conglomerates which operate in more than one industry sector, and these have relatively flat structures, which seldom represent marketing or corporate affairs at corporate or group level as a *single* area of Board member responsibility, and certainly not at company level. For the smaller companies, such functional specialism is not an option. Even the larger operators however, have relatively simple structures with senior members of the organisations heavily involved in the day-to-day running of the organisation. This may be a reflection of the relative lack of complexity of operations, compared to manufacturing sectors. The issues involved in chemical manufacture or pharmaceuticals development for example, are by their nature more complex, involving commercial decision-making in an advanced technology environment. Finally, although the markets of some operators may be

'European', their operations are in reality UK based, and they are not handling the complexities of managing a full product life cycle across European and international borders.

6.2 European and National Regulatory Environment

The European Member States have varying approaches to their road freight sector. Degli Abbatì notes that the outlying countries of the Union display a greater reliance on road transport, while the central states such as Germany and France are more concerned with the utilisation of railways (degli Abbatì, 1986, p.19). In either case, transport policy is a key area of government intervention and firms in this 'sector' have been closely linked to government. *'...national transport policies have been dominated by supplier interests, fostered by the close links between governments and industries in many sectors and countries.'* (McGowan, 1990, p.248)

In the UK, the road freight industry has been de-regulated since 1970. That is, there is no real restriction on the quantity of companies operating within the market place, only on the standards of operators, controlled through operator licensing. This is a control of quality rather than quantity. Other countries such as Germany have recently undergone this form of de-regulation.

However, de-regulation does not necessarily imply a low level of interaction with national government. There is a well established network of relationships involving national government departments, particularly Transport, which is seen as the 'sponsor' department, and which works mainly with the UK trade associations, the Freight Transport Association and the Road Haulage Association, as representatives of road freight interests. These have been seen as 'strong' lobbying groups (Whitelegg, 1988, p.63). While lobbying on road freight issues may also include other sectoral groups e.g. motor manufacturers, the RHA and FTA still represent key consultation partners in any consideration of road transport issues.

EU legislation affecting road freight has chiefly come about as a result of the Single Market initiative, but it also sits within the context of the earlier aims for a Common Transport Policy (CTP) across the EU. Under the Treaty of Rome, the Member States of the European Community were required to agree and implement a common transport policy. Progress towards this has been painfully slow because of widely differing transport policies of Member States, and the conflicting interests at stake. (Mackie, Simon, Whiteing, 1987).

Between 1959 and 1973, when the Community was enlarged to include Denmark, the UK and Ireland, Community institutions attempted to decide on their policy for transport. Key to this was the Commission's memorandum on the General Lines of a Transport Policy, which set out the basic principles and content of the policy (1961). This was followed by the Action Programme on a Common Transport Policy (1962). The principles which emerged from this were: equal treatment for transport users and transport operators; the financial independence of transport undertakings and their freedom of action and competition; free choice for users and co-ordination of infrastructure investment. Measures proposed within these principles included the need for controlling the supply of transport services, organisation of the market to align tariffs between different modes of transport and between different Member States, and harmonisation of conditions of competition (covering taxation, social and public service obligation issues). Finally, it included the need for fairly allocated costs between users of transport services.

The following years were marked by a general lack of political will on the part of the Council of Ministers to progress the outlined proposals. During this period, the institutional crisis of 1965 occurred, which resulted in the "Luxembourg Compromise". This recognised the right of veto by a single Member State, on proposals which were considered against the national interest, and it resulted in a general stalemate over a variety of issues.

In 1973 however, there was a new departure for the Common Transport Policy (CTP). The Commission proposed to extend the scope and content of the CTP in response to the outcome of the Paris summit in 1972, and what was considered to be the increasing costs to society of the transport sector. The Commission proposed that the market would not only be organised but integrated. All modes of transport would together form one integrated network. This was an explicit extension of the remit of the then CTP, which was subsequently supported by the European Court of Justice ruling in 1974 that neither maritime or air modes of transport were exempt from the obligations of the Community, and that therefore the general rules applied to them. It still, however, preserved the basic focus of the policy, which was to uphold the wider economic goal of economic integration based on free market-thinking (Whitelegg, 1988, p.14).

Leo Tindemann's Report on European Union (1975) again mentioned an aim of the European Union as improved transport and communication, and recognised the need for the harmonisation of rules which would be required to achieve this. However, no positive action ensued and at the beginning of the 1980s very few of the objectives set

out in the 1973 proposal had been achieved. In May 1979 for example, the discussions about the technical standardisation of weights and dimensions of commercial vehicles, were stalled by the entry of the new 3 Member States. Enlargement had further exacerbated the difficulties in decision-making experienced by the original 6 States. The entrenched nature of national views is aptly demonstrated by the fact that the FTA was still campaigning in 1994 for the application of the 40 tonne standard (subsequently implemented in all but two countries) within the UK. This period of stagnation culminated finally in an action brought by the President of the European Parliament to the Court of Justice, against the Council of Ministers, for failure to act in the field of transport policy. The Court found in its judgement of 22nd May 1985 that *'The Council has infringed the Treaty by failing to ensure freedom to provide services in the sphere of international transport and to lay down the conditions under which non-resident carriers may operate transport services in a member state.'* (OJL 6/85)

The judgement coincided with the Commission proposal for the completion of the Internal Market, which was subsequently agreed by the European Council at its meeting in Milan 1985 and again in December 1985. *'The Community shall adopt measures with the aim of progressively establishing the internal market over a period expiring on 31st December 1992.....The internal market shall comprise an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured in accordance with the provisions of this (the EEC) Treaty.'* This provided the impetus for a number of measures affecting the freight sector. The major aspect of this new commitment was the introduction of cabotage in both air, maritime and road transport. The implementation has not been without difficulty. It has also given rise to other legislation which is complimentary to the overall aim of the Single Market. For Road Freight, important areas were the simplification of customs documentation, the move towards mutual recognition of professional qualifications, and harmonisation of technical standards, i.e. vehicle weights and dimensions. *'Many of these were on the agenda prior to the Single Market initiative but were fraught with difficulties due to the discrepancies in the degree of liberalisation in transport across member states'* (Lodge, 1993, p.91). This package of 'liberalising' measures progressively introduced changes in border control and customs procedures and the gradual removal of restrictions on international transport imposed by the quota system of permits. EU legislators have, however, been active in a number of other areas since 1986. If these do not strictly belong under an 'Single Market' heading, they are closely related to this in their intention of removing potential for market distortion resulting from national differences. Such areas cover vehicle taxation, drivers' hours and operating licenses. With the addition of environmental legislation on vehicle emissions,

and the transport of hazardous goods, the impact on the freight sector can be seen to span technical, financial, social, and latterly, environmental issues.

The focus on environmental issues represents a substantial change of emphasis in the development of the CTP. Commenting on the progress of the CTP *until 1988*, Whitelegg concludes, *'In twenty-five years there has been little development of its basic thinking about transport and much repetition and bureaucratic non-activity which passes for a common policy. Its resilience to popular academic and critical transport policy developments is remarkable and it exists in isolation from transport priorities, wrapped up in a language of its own and nurtured by a self-perpetuating and somewhat incestuous relationship with wider EEC goals of economic growth regardless of the consequences'* (Whitelegg, 1988, pp 16-17)

In December 1992 however, a proposal *'The Future Development of the Common Transport Policy'* was produced which set the scene for a more comprehensive policy based on an internal market in which remaining restrictions or distortion should be eliminated as quickly as possible. A key feature of the Policy is the integration of environmental objectives as laid down in the Treaty of European Union. How far free-market objectives can be reconciled with environmental considerations, is yet to be tested. This is essentially the point that Whitelegg makes in his rather acerbic assessment of European policy development. Leaving aside considerations of practicality however, the 1992 proposal does at least represent a shift in emphasis, and a recognition of the issue.

While many problematic 'internal market' issues still remain to be resolved, this perhaps signals the start of a very different EU environment for Road Freight companies, and the users of their services. The difference lies in the sensitivity of environmental issues. The importance of these issues has already found expression in EU measures on vehicle emissions and proposals for a carbon tax. However, the balancing act between industrial and environmental objectives is a difficult one. No more so than for politicians, who face an electorate that is generally far more aware of environmental issues, and possibly less willing to compromise, as well as environmental lobby organisations (Friends of the Earth, Greenpeace). Reactions to road-building programmes in the UK demonstrate this. The assessment of company and interest group influencing strategies therefore takes place at a time when there is a shift of emphasis in policy focus, the results of which may not be apparent for some time.

6.3 European Policy Initiatives

Policy Initiatives Linked to Single Market Implementation: there have been a number of key liberalisation and associated harmonisation measures introduced both as a result of the Single Market Initiative and the development of the Common Transport Policy. These have had significant impact on operators within the UK and for that matter, other European countries. They have also been the subject of protracted negotiations between Member States, reflecting the wide diversity in transport environments across the EU. Four policy initiatives are discussed below. These do not represent the only legislation tabled within the period under review, they reflect, however, key issues for firms within the sector.

Cabotage

Cabotage is possibly the most contentious area of legislation linked to the Single Market initiative. Regulation 4058/89 defines cabotage as the condition under which a non-resident carrier may operate services in another Member State. It proposed that from July 1990 all haulage companies would be able to operate their services on a temporary basis within another state. For example, a vehicle delivering freight from the UK to the south of France, could take on a further freight delivery contract for the movement of goods from the south of France to Paris, thus 'running empty' only for a proportion of its total return journey. This liberalisation measure would, however, be introduced incrementally through a quota of cabotage authorisations, increasing from July 1991 until full cabotage was implemented.

Regulation 4058/89 was followed by further provisions amending the authorisation quota until Regulation 3118/93 detailed the timetable for the introduction of a definitive systems and full cabotage in 1998, a considerably later date for completion than originally anticipated. The proposal was part of a package of liberalising measures supporting the Single Market initiative, but it was seen as a particular threat to some countries with restrictive road transport licensing systems (Mackie, Simon & Whiteing, 1987). There was opposition to the proposal and pressure on the Commission to allow 'safeguard measures' in the event of 'serious disturbances' within the road freight sector as a result of liberalisation. This pressure was successful as can be seen from the inclusion of safeguard measures in the subsequent Regulation 3118/93.

Within the UK, there was considerable concern about the proposal in the initial stages, and fears that it would undermine the domestic freight business (*Freight*, Jan 1988

p.7), through foreign operators taking business from local firms. Some of this concern came through the Unions (interview:19). However, the FTA campaigned in favour of the proposal, citing benefits in the form of greater operational efficiency (less empty running) and the interchangeability of drivers' vehicles and trailers regardless of their country of residence or registration. In the end fears about the adverse effects of cabotage proved unfounded, and there is no evidence that it is now seen as a problem for UK operators.

Customs and Border Controls

Another key feature of the Single Market proposal related to the removal of customs and border controls between Member States (Regulation 4060/89). For international hauliers this had a major impact in terms of journey time on cross country operations. The export, community transit and import declarations were abolished for the majority of freight movements and replaced by the requirement for some statistical data on VAT returns for Customs & Excise.

This aspect of the Single Market met with general support from Road Freight operators as with other sections of UK industry. The main issue which arose was delay over the definition of the final format of cabotage arrangements and because of this, failure to agree this in the Council of Ministers *'detracts from the single market arrangements which should now be fully in place'* (FTA, 1993, p.5).

Vehicle Weights

In addition to these initiatives, a number of other areas have also been targeted by the Commission in order to support the Single Market process. These attempt to remove possible market distortions caused by differing technical social and fiscal arrangements across Member States. Harmonisation measures were seen by the Commission as key to successfully achieving cabotage. It also supported the proposals to abolish customs. *"Without harmonisation it is difficult to police legal requirements if there are 12 different sets of rules"* (interview: 31). Directive 85/3 established the maximum specifications for road haulage vehicles on *intra-EU* journeys for 5 & 6 axle vehicles, (89/338 for 2,3, & 4 axle vehicles). This introduced the 40 tonne maximum permitted weight, from which the UK government obtained a derogation to allow its upper limit of 38 tonnes to remain until 1998. These proposals have once again been the subject of conflict between Member States which have widely varying regulations. Undeterred however, the Commission presented proposals to harmonise the maximum permitted weights for all vehicles circulating in the Community (COM 93/679). The range of

permitted weights can vary considerably from country to country, between 38 and 50 tonnes prior to the most recent enlargement, but the Commission eventually settled on a 44 tonne limit (to reflect the most common 40 or 44 tonne national limit).

There has been continuing opposition to increases in lorry weight maximum by the UK Government. Hence the limit remains at 38 tonnes, despite pressure from the national trade associations. The UK has obtained a derogation from the proposed increase to 44 tonnes on the grounds that it would have to review the likely impact on bridge safety and the wear and tear on roads. However, it has subsequently agreed that the new 44 tonne maximum could be introduced on any 6 axle vehicles transporting goods to or from a railhead, provided that vehicles are fitted with the appropriate suspension and do not increase their overall dimensions.

The issue of lorry weights is unfinished business in the UK, but here lobbying activity has been directed towards the UK government, in support of the adoption of EU legislation, rather than the prevention of legislation. It illustrates possibly more than any of the other regulatory issues the close interest of national government in transport issues and the highly charged political nature of seemingly 'technical' issues in this arena, against a background of increasing public sensitivity to environmental issues.

Social Harmonisation : Drivers Hours and Access to the Profession

Regulation 543/69 first proposed the regulation of drivers hours of work and rest breaks, and resulted in the introduction of the tachograph (3820/85 3821/85). The regulations themselves did not cause significant concern, but the introduction of the tachograph was resisted by trade unions. It was only introduced after the European Commission took action against the UK government for failure to implement the regulation.

In 1988, a revision of regulation 3820/85 was made to change the definitions of the working week and working days and specified permitted driving hours against these definitions, and introduced compulsory rest periods. The background was the apparent lack of clarity in rules and therefore their interpretation in various countries. However, the FTA and employers resisted these changes on the grounds that the proposals represented more than a simple clarification of the existing rules, which had in any case only been introduced in 1986.

The proposed revisions were not implemented in the end, but the associated amendment of 3821/85 introduced the requirement for countries to carry out a check

of at least one per cent of the total number of tachograph charts used by drivers in any one year. This proposal established common standards for enforcing social legislation and was actioned through Directive 88/599. More recently other issues have arisen relating to the tachograph with the proposal to replace the current mechanical device with an electronic tachograph (a move being resisted by the manufacturers of the current device).

As early as 1974, a directive (74/561) was published which aimed at eliminating social factors which were a source market distortions. This proposed the certain minimum criteria for access to the profession. This related to both national and international operators. In 1992 however, a new regulation (881/92) subsequently provided for a community authorisation system in which holders of a standard international operator licence or International Certificate of Professional Competence would automatically be issued with a Community Authorisation to operate. This replaced the system of bilateral and multilateral agreements between Member States.

Fiscal Harmonisation : Vehicle Taxation and Tolls

The final, and possibly the most difficult area of harmonisation concerns the two main taxes levied on freight vehicles, annual vehicle tax and excise duty. In 1986 the Commission stated that the presence of different levels of taxes and transport tolls were distorting competitive conditions (COM 86/750). In 1993, agreement was finally reached by the Council of Ministers that a minimum rate of taxation, 454 Ecu, would apply to all vehicles over 12 tonnes (Directive 93/98). The minimum rates would only come into effect in 1998 however as five countries, Greece, Italy, Spain and Portugal were allowed by the Commission a derogation until this time. It specified they could maintain rates 50% below the minimum until this time.

Recent pressure from Germany to introduce a road-usage charge or 'vignette' system heightened the debate about disparities created by different systems and levels of taxation. This is particularly the case for the UK, as operators currently bear the highest levels of taxation on their vehicles of any Member State in the EU. Under this proposal they would have to pay additional levies for using the German road system.

In the event, the Commission agreed to either tolls or road-user charges as Member States see fit, provided that the schemes meet certain conditions, for example, they must not lead to mandatory checks on frontiers or they may not discriminate on the grounds of nationality (COM 93/98). This effectively allowed Germany to introduce the proposed vignette system. It is likely however that fiscal harmonisation will prove

one of the most difficult areas to address for the Commission due to the implications for national taxation regimes and the constraints that EU-wide regulations will have on the independence of national finance ministers. This is still therefore a main focus for UK road freight lobbying of the UK Government, although the sector is unlikely to have much joy on this score from the Treasury.

Policy Initiatives Linked to Safety and Environmental Issues: the above initiatives were part of the Single Market programme or closely linked with it, in that they are aimed at the prevention of market distortions. More recently however, the focus of policy development has shifted to environmental and safety issues. This relates directly to the agenda set out in the Commission's document "The Future Development of the Common Transport Policy" (COM 494 1992). This recognises 1992 as a turning point in terms of the shift from the Single Market focus to a new set of challenges. It states *'Among those challenges one of the most important is the integration of the environmental objectives as now laid down in the Union Treaty'* (COM 92 494 p 5). It goes on to outline the key areas which will be tackled as part of the Commission's proposal for meeting these challenges. These are; transferring the real costs of transport (by implication road transport in particular) to users, higher standards for vehicle omissions, stricter maintenance of vehicles, action on fuels, and fiscal incentives for promoting the desired responses from industry in relation to environment. Encouragement of collective modes of transport and the discouragement of private car use are specific goals (COM 494, 1992, pp 165-180). Ironically, the Commission also recognises in its report that the completion of the internal market and integration of the economies of Member States entails increased transport movements across frontiers. By implication this may have increased environmental issues.

Carbon Tax, Vehicle Emissions and Safety

As part of the commitment of governments within the EU to stabilise CO₂ emissions and therefore reduce global warming, the Commission developed a strategy ensuring emission levels in the year 2000 were contained at the 1990 level. In March 1992 it proposed a tax on fossil fuels based on their carbon and energy contents. These fiscal measures were challenged by the FTA on the grounds that price controls were not the answer, but that levels of CO₂ would be dependent on engine efficiencies, and distance and quantity of goods transported (*Freight*, 1992, November, p.21). Instead the FTA proposed fuel-efficiency incentives as an alternative to the taxation approach.

Certainly the 'incentives' route seems to have been taken up by the Commission, as more recent legislation on vehicle emissions has made provision for this (Directive

94/12). Legislation on vehicle emissions has however, existed since 1970 when the first limits on carbon monoxide and hydrocarbon emissions were proposed. This predates by some considerable time the 1992 Framework Convention on Climate Change which highlighted the need to reduce overall levels of CO₂ emissions. Vehicle emission limits have gradually become more stringent, and have been accompanied by 'technological advances' in engine design.

The Commission's interest in transport safety issues predates the publication of COM 494 92, when in 1987, it proposed that the international regulation concerning the carriage of hazardous goods (ADR) should be extended to national operations as well. In 1989 a directive was agreed which required the harmonisation of training standards for drivers of vehicles carrying dangerous goods (OJL 398). Under this directive, drivers had to attend approved training courses, and were required to hold a certificate of competence. This certificate lasted 5 years. Further developments in this area were then proposed in 1992 which both introduced additional regulations aimed at improving the training of operatives, and extended the scope of those covered by the regulations. That is, not only drivers, but those involved in the loading and storage of dangerous goods were encompassed in the new regulations passed in April 1991. Continuing on the theme of safety, another set of measures has been introduced to limit the speed of goods (and passenger) vehicles. Directive 92/6 therefore brought the introduction of speed limiters on vehicles over 12 tonnes, and reductions in the permissible maximum speeds on various classes of road.

Taking all of the Single Market initiatives and safety and environmental issues into consideration, there has been a steady stream of legislation affecting firms in the road freight sector, across a wide range of issues, from driver operating hours, to vehicle specifications. For the most part these initiatives have not been regarded as a major threats to the sector in themselves, even if the implementation has sometimes caused problems (e.g. rules governing the calculation of drivers hours and the introduction of the tachograph). The prospects of further 'environmental' legislation is seen as a potential area of concern, but some of the companies represented in this research also see this as a business opportunity. These are the larger firms which believe they may gain because they will be able to respond to more stringent regulations, while the smaller operators will not. What the next section will show is that neither the development of Single Market legislation nor the likelihood of regulation linked to environmental issues has caused a major shift in *individual firm approach to* monitoring EU developments, or influencing strategies.

6.4 European & National Consultation Processes

Policies affecting road freight business interests can be generated by a variety of national government departments and Commission directorates. However, it is the UK Department of Transport and DG VII within the Commission which form the main focus of consultation, particularly within the context of single market liberalisation and harmonisation measures, though the emphasis may change depending on developments in transport and environmental issues.

Within the Commission, and specifically within DGVII, proposals are reviewed through two key committees, the Transport Working Group linked to COREPER, and through the Transport and Tourism Committee linked to the European Parliament. Consultation with business is structured through three channels, UNICE, the IRU (International Road Haulage Union), and Eurochambres. DGVII representatives confirm that formal consultation only takes place with international organisations, and that national organisations hence the current channels. Of these three organisations, the greatest contact is with the IRU, which was reported to be 'on a day-to-day basis' (interview: 31). Interviews confirmed that contact with companies was very limited, and that officials did not go out of their way to approach individual firms, or for that matter, national trade associations. The emphasis is on consultation with a pan-European organisation. The overall picture is therefore of a very structured approach to consultation. Also, there appear to have been no significant changes in the approach since 1986.

Company contacts with the Commission are limited, although there is some variation in the response between senior and junior officials interviewed. Whether this was because of different perceptions of different officials, or their particular policy portfolio is difficult to determine. There was evidence of contact with lobbying firms, but mostly in the form of information gathering rather than influencing activity. *"We are sometimes approached by individual companies if there are problems, and they feel they are being discriminated against, but what generally happens if we don't give them a satisfactory reply is that it comes back through the MEPs asking questions in Parliament"* (interview: 35).

Within the UK, the consultation between business interests and the Department of Transport mirrors that of the Commission in certain key aspects. Main consultation partners are the Freight Transport Association (FTA) and Road Haulage Association (RHA), the CBI and Chambers of Commerce. Of these, the trade associations, the FTA and RHA are seen as the most important. Contact with individual companies was

limited although the growth of initiatives concerned with the transport of hazardous goods has resulted in a change of approach. A committee comprising representatives of companies specialising in this area is now established. This supports the proposition that policy initiatives in areas where companies have specialist expertise (i.e. an information advantage) they may have the opportunity for direct access to decision-makers. This tendency may apply equally in a national and a European context.

There have been no significant changes to consultation processes within the context of Single Market liberalisation and harmonisation measures. Here, the overall direction of the EU was seen to be very much in line with the liberalised industry which already existed within the UK. However, the shift of focus to environmental and safety issues is seen as a potential catalyst for change as the above example of a deviation from normal consultation routes suggests. What *has* changed in the national context is the development of contacts and consultation processes between the UK Government Departments and the Commission, and latterly contacts with MEPs.

The approach taken by DGVII highlights that while it is certainly open to contact directly by companies, there is a well-established approach to consultation through collective interests operating at an international level. It is these collective interests that form the main opportunity for influence by individual companies, or for that matter by national interest groups representing the sector. Further, there is no indication that the shift of policy focus to environmental issues will result in a change of approach on the part of this particular directorate.

The pattern of consultation in this context appears to be very similar for both UK and EU decision-makers. This is through the trade associations, industry associations, and Chambers of Commerce at a European/International Level. There is no evidence of the development of separate consultative forums involving individual companies. This contrasts with evidence from other, concentrated sectors such as electronics and pharmaceuticals where some of the preliminary interviews in the research indicated that individual companies were part of separate consultative forums, echoing the point that Richardson & Mazey make about the possible formation of 'inner circles' of influence (Mazey & Richardson, 1993, p.22). Within the fragmented road freight sector, consultation takes place primarily with associations.

In terms of the European Parliament, where there is a particular need to consult, the focal point for business interests is once again the trade association. Contact by companies is ad hoc, and the main attempt at influence is through the trade associations. However, when these contacts are made, they are made direct to the

MEP rather than through MPs. For the Freight sector, UK MPs do not appear to be a significant indirect channel for influencing the European Parliament. Links between MEPs and MPs appear weak in this context. One of the reasons given for this is the issue of timescales (interview: 35). Often, a particular policy or piece of legislation only becomes an issue at national level long after agreement through the EU decision-making process. The prime means of exerting influence on the European Parliament therefore mirrors that of the Commission. It is through the trade associations. At both national and EU level these appear to have established a key position with decision-makers, in this case MEPs.

The RHA and FTA hold regular sessions with the UK MEPs represented on the Transport and Tourism Committee, though the RHA has developed a strategy of using the CBI British Business Bureau as its representative rather than directly providing a lobbyist based in Brussels. The Parliament also appears to be the focus for non-business groups as important consultation groups are also seen as the TGWU, and Friends of the Earth and Transport 2000, in addition to the trade associations. Some ad hoc contacts are made with haulage firms but as an MEP on the Transport and Tourism Committee commented '*the onus is on them (i.e. the firms) except where it is a really big issue. On these occasions we will instigate a hearing and it is well publicised. Key speakers are invited to put their views*' (interview: 35). The same MEP also confirmed that the focus of business lobbying, in this case predominantly the trade associations, was the Commission. '*My impression is trade associations work very closely with the Commission and DGVII particularly is heavily influenced by transport interests*' (interview: 35).

In summary, UK business interests within Road Freight appear to have intensified their contacts with the European Parliament, but this has been expressed through more systematic and regular contact with national and European trade associations.

6.5 Companies Response: Individual Strategies

Monitoring and Sources of Information: companies within the sector use a variety of sources of information on EU developments to determine what is going on. Most companies in the sample use at least 3 or 4 main sources (see table 6). Only one company, the smallest, relied on one source only (the RHA). These results confirm the important roles of the trade association as the chief sources: the FTA is used by 87% of the sample and the RHA by 75%.

| Sources of Information | P&O | BOC | NFC | Hays | Salveson | Laser | Denby | Barber | % Using Source |
|-------------------------|-----|-----|-----|------|----------|-------|-------|--------|----------------|
| UK Ministries | / | | | | | | | | 12 |
| UK MPs | | / | | | | | / | | 25 |
| CBI | | | | | / | / | | | 25 |
| FTA | / | / | / | / | / | / | / | | 87 |
| RHA | / | | / | | / | / | / | / | 75 |
| Other Trade Assoc's | | | | | / | / | | | 25 |
| Consultancies | / | | | / | | | | | 25 |
| Institute of Logistics | | / | | | | | | | 12 |
| EIU Intelligence Report | / | | | | | | | | 12 |
| Retailers/Customers | | | | | / | | | | 12 |
| MEPs | | / | | | | | / | | 25 |
| Press | | / | | / | | | / | | 38 |
| Own researcher | | | / | | | | | | 12 |
| Institute of Directors | | | | / | | | / | | 25 |
| EU Commission | | | | | | | / | | 12 |
| No of Sources | 5 | 5 | 3 | 4 | 5 | 4 | 7 | 1 | |

Table 5. Road Freight: Main Company Sources of Information on EU Developments

Source: Own Research Interviews

Influence Strategies: only two firms confirmed that in terms of representing its views on EU issues it will go direct to EU institutions. These were: P&O the largest group (though not the largest company) within the sample, and a smaller company specialising in the transport of hazardous goods (Denby). P&O displayed the nearest approach to that found in other multinationals within the concentrated industry sectors investigated as part of the preliminary research. That is they have a main Board director who is also a professional lobbyist. Even here however, the company representative stressed the importance of the FTA as an important influencing route. *'We have lobbied via the FTA, helping their arguments as part of a group. This is discrete lobbying which is via information giving. I can't imagine we would appoint a lobbyist, given the way we work, though I said when I joined that I thought we ought to get more involved with the FTA, and we have done this'* (interview: 9). This suggests that while a large company like P&O can use the direct access route, it is careful to support a strong collective strategy. The second exception was a small firm (Denby). Here the senior Managing Director will directly approach national government and EU decision-makers over particular issues, as well as being active in the trade association. This appears to be a personal interest, according to the executive Managing Director, so it may be an exception to the rule, relating to personal interest, rather than specific commercial objectives. However, it is interesting that the firm is involved in specialist distribution of dangerous goods. It may be that this also gives this firm an information advantage which will mean that it will always find an 'open ear' in government departments, whether national or EU.

Companies within the UK Road Freight sector predominantly exert influence on EU institutions through collective means. The most important of these is the trade association, both from the point of view of information gathering and exerting influence (see fig 9). The trade associations are themselves part of an interlocking structure of interest groups and consultation forums which primarily focus on 'vertical', or sectoral issues and which occupy important positions as the providers of technical expertise. They are seen as such by both national and EU decision-makers, and by national industry organisations. In addition, their position does not appear to be seriously challenged by special focus groups representing distinct policy communities within the sector (companies with an interest in regulations affecting the transport of hazardous good being the possible exception).

| Influence Strategy | P&O | BOC | NFC | Hays | Salveson | Laser | Denby | Barber | Preferred Strategies % of Firm Sample |
|----------------------------|-----|-----|-----|------|----------|-------|-------|--------|--|
| Direct (Lobbying) | | | | | | | | | |
| Commission | / | | | | | | / | | 25 |
| Council | | | | | | | | | 0 |
| European Parliament (MEPs) | | | | | | | / | | 12 |
| Ecosoc | | | | | | | | | 0 |
| Committee of the Regions | | | | | | | | | 0 |
| Indirect | | | | | | | | | |
| National Ministries | / | / | / | | / | | / | | 62 |
| National Parliament (MPs) | | | | / | | | / | | 25 |
| CBI London | | | | | | | | | 0 |
| CBI Brussels | | | | | | | | | 0 |
| CBI Business Bureau | | | | | | | | | 0 |
| IRU | | | | | | | | | 0 |
| FTA | / | / | | | / | / | / | | 62 |
| RHA | | | | | | / | / | / | 37 |
| Retailer/Customer | | / | | | | | | | 0 |
| Eurochambres | | | | | | | | | 0 |
| Chambers of Commerce | | | | | | | | | 0 |
| Lobbying Firms/Consultants | | | / | | | | | | 12 |

Table 6. Road Freight: Company Influence Strategies

Source: Own Research Interviews

There is no significant evidence of companies departing from this pattern either at a national or EU level. Where they deviate from collective action, their efforts seem mainly channelled towards UK Government Ministries and MPs. Only the largest company within the sample displayed the direct and multiple route EU lobbying strategies noted in other multinational organisations and which involves the use of a professional, Brussels-based lobbyist. No evidence was found of companies making use of external lobbying companies, although some have clearly obtained access to such services through Board appointments.

There is evidence from company interviews that environmental legislation may provide *opportunities* as well as threats. Although the interest in EU policy development has increased, and environmental issues appear to be a reason, the research suggests that

increased concern about the potential for legislation in this area will continue to be managed predominantly through collective strategies, and that this will be where changes in approach, including intensification of contact with EU institutions will develop, rather than at company level. It is therefore not solely the opportunity for influence created by the EU and its institutions, or for that matter, legislation directly affecting the sector, which explains the response of firms, and the way influence is exerted at sectoral level. The difference between the RHA and FTA suggests that company and industry characteristics play a significant part, with the presence of large, transnational firms from concentrated industry sectors providing the membership impetus for developing EU lobbying capability in the case of the FTA.

This comment supports the findings from interviews with companies, government representatives, trade, and industry associations that the focal point for lobbying activity within the sector is the trade association, and that of the two which represent road freight in the UK (FTA and RHA), the Freight Transport Association appears to have developed a special role in relation to European issues. Only one of the four larger companies in the sample did not identify the FTA as an influencing route for European policy issues. The reasons for this were attributed to the FTA being focused on 'own account operators' not the 'hire and reward' sector, i.e. it represents those companies who may not consider freight as their main business but which nevertheless operate their own vehicle fleet and physical distribution systems (users as well as suppliers).

Reasons for Influence Strategies: of the factors which may influence the company's choice of routes, the major reasons identified by interviewees for their current approach were: the degree of threat posed by EU legislation; the cost of lobbying; organisational structure and the attitude of Board members (table 7). Other factors that featured in the replies were the perceived effectiveness of trade association and national government representation.

In general, legislation has been favourable to UK operators, particularly the large ones, and there has been little to cause concern, i.e. perception of threat has been low. There is, however, evidence of a very slight increase in monitoring EU proposals and policies and the two largest companies in the sample have stated that going forward developments in EU policy-making may cause a re-think of their current strategy (P&O and NFC). The reason given for this in both cases was the development of EU environmental policy.

Three companies in the sample considered they were well advanced in thinking about environmental issues (P&O, NFC and Christian Salveson). They also indicated that there were commercial opportunities for their business contained within more stringent and wide-ranging environmental regulation. This illustrates the point that businesses may sometimes have a direct commercial interest in supporting, and sometimes even encouraging legislation. Lobbying is not always a case of staving off a threat. In this context, more stringent environmental regulation on the sector would have the effect (assuming reasonable enforcement provision) of reducing the number of operators i.e. those who could not respond to new standards. These would inevitably be the smaller

| Reasons For Current Approach | P&O | BOC | NFC | Hays | Salveson | Laser | Denby | Barber | % Citing Reason |
|-----------------------------------|-----|-----|-----|------|----------|-------|-------|--------|-----------------|
| <i>External</i> | | | | | | | | | |
| Commercial Threat | / | / | | / | | / | | | 50 |
| Commercial Opportunity | | | | / | | | / | | 25 |
| Familiarity with EU | | | | | | | / | | 25 |
| Lack of Familiarity with EU | | / | / | | | | | | 12 |
| Effective UK Govt. Approach | | / | | | | | | | 25 |
| Ineffective UK Govt Approach | | | | | | | | | 12 |
| Effective Business Associations | | / | | | | | | / | 0 |
| Ineffective Business Associations | | | | | | | / | | 25 |
| | | | | | | | | | 12 |
| <i>Internal</i> | | | | | | | | | |
| External Company Image | | | | | | | | | 0 |
| Board Members Attitudes | / | | | | / | | / | | 37 |
| Organisational Structure | / | | | | / | | / | | 37 |
| Investment Plans | | | | | / | | | | 12 |
| Cost Implications | / | | / | | / | | | | 37 |

*Table 7 . Road Freight: Reasons for Companies' Selection of
Influence Strategy*

Source: Own Research Interviews

operators. It could reasonably be expected that this type of regulation will in fact aid the concentration of the industry. However, although the larger companies in the sample all identified their environmental standards as a competitive advantage, no evidence was forthcoming of an attempt to develop proactive lobbying in Brussels on this, or the enforcement issue, thus increasing this advantage. This supports the view emerging of company strategies which are predominantly passive, at best, opportunistic and mainly geared to assessing the degree of threat.

The companies interviewed as part of the research showed no real development of direct lobbying activities within the EU, and this mimics the approach established with national government. Contact with decision-makers in general is limited. With few exceptions it is managed at Board level. Apart from P&O, there are no 'public affairs specialists' within the sample, though the research picked up evidence of one other firm

outside the sample which like P&O have appointed a lobbyist as a Board Director (Non-Executive).

The predominance of collective influence strategies coincides with a focus on sectoral or 'vertical issues', and goes hand-in-hand with a relatively reactive approach to the potential implications of government decisions on the business, at company level. Problems are identified once legislation has already been agreed (e.g. drivers hours) and issues raised then via sectoral lobbying groups, the trade associations. 'Degree of threat', Board members' attitudes, and cost issues are the most frequently stated as the reason for the low-key and indirect approach to decision-makers. These characteristics were displayed across all companies, regardless of size, structure and operational focus. Lack of familiarity with EU institutions and processes was not a particular issue, and was only identified as a key external reason for the particular approach in two companies. These were NFC and BOC, a large and a medium sized company.

Summary: companies response to Single Market legislation has been low key. Overall, there is little evidence that this has caused a major rethink in terms of how these businesses monitor the regulatory environment, or that it has generated more proactive company influence activity (i.e. direct lobbying of EU institutions in order to change impending or current legislation). Most firms have not formally reviewed their approach to the processes involved in monitoring and responding to legislation, though company representatives confirmed that the amount of information gathering has increased, even though they found it hard to quantify by how much.

Each company's approach has usually evolved over a period of time, and mainly consists of monitoring by legal or sector experts, with decisions on action required referred to the Board of Directors. With one exception (P&O) within the sample of companies interviewed as part of this research, no professional lobbyists are employed by businesses for monitoring or action. This contrasts with sectors such as pharmaceuticals or IT where there is evidence of the development of in-house lobbying expertise. Within Road Freight, contacts with governmental agencies remain predominantly the preserve of Board members, where it takes place at all, and this suggests a type of insurance policy approach to lobbying, i.e. ensuring that the firm has the appropriate contacts should the need arise, rather than the proactive, continuous contact approach used where public affairs professionals are present.

Nevertheless, the P&O strategy comes quite close to this. The P&O European Transport Services division has John Steele as its Non-executive chairman. Previously

Commissioner for DGVII, the Commission Transport Directorate, he also heads a professional lobbying firm based in Brussels.

Although companies may not appoint lobbyists, this does not mean that they do not exert influence directly. Companies may influence through contacts at board level as noted above, and specifically appoint non-executive directors who have governmental affairs experience in order to facilitate such contacts. This type of influencing is particularly difficult to assess. However, there is evidence of this approach across a number of companies within the sample. Apart from P&O European Transport Services which is the only *Company* board to have an appointee with EU experience, the BOC *Group* board has Sir Christopher Tugendhat, previously an EC Commissioner, and Dick Taverne, who is chairman of the consultancy PRIMA Europe Ltd, as a non-executive director. The NFC have appointed Sir Norman Fowler, ex-Cabinet minister, and chairman of the Conservative Party, as a non-executive director. These appointments reflect an emphasis on both EU and UK links.

Board members may also have contact with EU institutions. Only two of the sample companies could cite examples of this, but the accuracy of replies may reflect individual knowledge, or lack of it, rather than fact. Probably the best known example of contact, and where there was some fairly intense and protracted lobbying activity concerns the issue of shipping conferences. Though only of indirect concern to road freight operators, it is useful to discuss briefly in order to serve to illustrate the point about contact with EU institutions at the highest levels in companies. In this case, a group of 11 shipping lines, including P&O, attempted to conclude an agreement, which would fix rates and conditions of carriage and members carrying capacity (the Transatlantic Agreement). This gave this group of companies, which account for around 83% of the transatlantic market, a power to limit freight carrying capacity, and therefore create opportunities for price increases. Following objections raised by trade associations on behalf of companies who use shipping services, the Commission ruled that this arrangement was an infringement of competition rules. Members of the Council of Ministers were then lobbied directly by senior company Board members in order to force a decision to overturn the Commission's ruling. They succeeded in forcing a vote within the Council, but this narrowly went against them (*Freight*, 1992, March). Hence in this case the Board proved an important route for access within the EU at the highest level, even if it proved unsuccessful in the event.

The response of the two largest companies in the sample does, however, put a marker in the ground that the pattern may change in the future. There are also other developments in the *sector* which suggest that a more proactive stance may be

developing, but this is linked to changes in influence strategy at *the collective level* rather than by individual companies.

6.6 Sector Response: Collective Strategies

The previous discussion demonstrated that the chief route for influencing the EU sought by the companies is through collective action rather than individual direct lobbying strategies. Though a distinction here needs to be made between *Group* structures, and *Company* structures, this research indicates that individual road freight firms rarely attempt to influence EU institutions directly. Hence, they rarely 'lobby' in the strict sense of the term applied here. This does not mean, however, they do not exert influence on EU decision-makers. The preference is for collective action through a variety of interest groups. In the case of UK Road Freight, key interest groups representing firms within the sector are:

- The Freight Transport Association (FTA)
- The Road Haulage Association (RHA)
- The Union Internationale des Transports (IRU)
- The Confederation of British Industry (CBI)
- Union of Industry and Employers Confederation (UNICE)

These are well-established groups and operate in different, but overlapping domains which form a network of interest representation, and are all long established. The industry is therefore primarily represented through trade and industry associations at a national and European level.

Trade Associations: discussions with officials in the European Commission (interviews: 31, 32, 33), and the Department of Transport (interview: 27) indicate the particular importance of the trade associations as consultation partners: the Freight Transport Association (FTA); the Road Haulage Association (RHA); and at an international level, the Union Internationale des Routiers (IRU). The RHA and FTA have European and international counterparts, though they do not always have quite the same remit. This may be due to a number of characteristics of the national environment. For example within the UK the strength of a more concentrated retailing sector compared with the rest of the EU creates particular demands for fast, flexible transportation, and logistics management systems. An FTA representative confirmed that the European association which came closest to their profile of cross-sectoral membership was the Dutch association, the EVO. This parallel is explained by a similar history in each country of 'own account' operation. By contrast the Road Haulage

Association represents the 'hire and reward' sector, and this association has more equivalent organisations throughout the EU and internationally (for example the BDF in Germany) .

National Trade Associations: the FTA and RHA are the two national sector representatives of the industry. The FTA has around 12,000 members, and the RHA slightly less at approximately 10,000. The major difference is the type of company represented. About 2000 of the FTA's members are road haulage specific, but there are many large companies from other sectors represented in its membership. Although historically its focus has been on vehicle operation, it is also concerned with wider transport issues and rail, air and shipping operations. The British Shippers Council has its headquarters at the FTA's Head Office in Tunbridge Wells. The Road Haulage Association, as its name suggests, concentrates on road haulage operators only.

Both associations have regional offices in addition to their main headquarters, and both have a high proportion of small to medium-sized enterprises as members. In the RHA for example 55% of member organisations run between 1 and 4 vehicles (interview:19). Both associations generate income by subscription and commercial activities such as training and vehicle inspection. However, in the case of the FTA the latter represents a substantial level of activity accounting for around two-thirds of the annual income. Flow charts for the RHA and FTA influence strategies are shown in figures 8 & 9. These charts involved considerable research based on detailed interviews within each association. They show that both associations lobby EU institutions *directly*. The significant difference lies in how they go about this, and the FTA's appointment of a Brussels based lobbyist.

Membership fees for the FTA are based on a combination of factors, of which turnover is key. Fees for 1996 range between £200 per annum and £20,000 per annum (interview:17). The RHA represents a similar range, £160 per annum through to £22,000. This is based, however, on the number of vehicles owned by each member (interview: 19).

In terms of lobbying activity, the FTA appointed a lobbyist to represent its views to EU institutions in 1993. This was a senior appointment at Regional Director level. This does not imply that there was no contact with the Commission, Council and Parliament before this time. Neither does it imply that the RHA does not have contacts with EU institutions (see figure 8). It is, however, a very visible statement of changing priorities if an organisation is prepared to bear the costs involved in creating a new senior level appointment and in setting up a Brussels office. The reason given for the increased

investment was a perception of the growing importance of EU legislation and increasing areas of EU competence (the issue of representation to Brussels was first discussed 15 years ago), a recognition of the need to be in at the ideas stage in order to influence legislation, and pressure from the membership. *'The office costs £100,000 a year to run and this goes straight on to the bottom line. The decision to set up the office was however, membership driven, and as a result membership fees have risen. The Association made it clear to members that if they wanted this facility they would have to pay' (interview: 18).* In January 1997 the Association is due to increase its Brussels team yet again.

The RHA has contacts with EU institutions on an ad hoc basis, largely driven by particular issues. EU developments are tracked at the association's headquarters in Weybridge through information gathered from a number of sources: the IRU, the Official Journal publications, press and magazine articles. Council of Ministers' meetings are also monitored and contact is made with the Department of Transport for an update following one of these sessions. The priority routes for both information gathering and representing views to the EU are through national government routes, through the IRU with specific contact with the Commission when required. The reason given for this approach is that *'the cost of representation in Brussels outweighs the potential benefits given that the membership is predominantly nationally focused' (interview: 19).* By contrast, the appointment of a Brussels based representative of the FTA has given this association the opportunity to increase its contacts with various EU institutions, although this appointment doesn't mean no lobbying has previously taken place. Contacts have been made with the Commission, prior to this. *'We've been active in Europe many years. For the past 4 or 5 years there has been an annual pilgrimage to Brussels where Chief Executives and one or two others have gone on a blitzkrieg visit to a number of the directorates' (interview: 17).*

Their representative in Brussels has however increased contact with the Commission, the Council of Ministers, the European Parliament, ECOSOC and the newly formed Committee of the Regions. Of these, work with the Commission is the main focus, with daily contact with various directorates. DGVII (Transport) is the key contact, but contacts with DGIV (Competition), DGV (Social Policy), DGXI (Environment) and DGXXI (Customs and Direct Taxation) are also primary contacts. Other directorates may feature from time to time. Agriculture is an example, where there have been negotiations about the carriage of live animals, and the handling of dangerous agricultural substances. Overall the scope and frequency of contact has increased, facilitated by the establishment of the Brussels office, and the appointment of someone in the organisation with this brief.

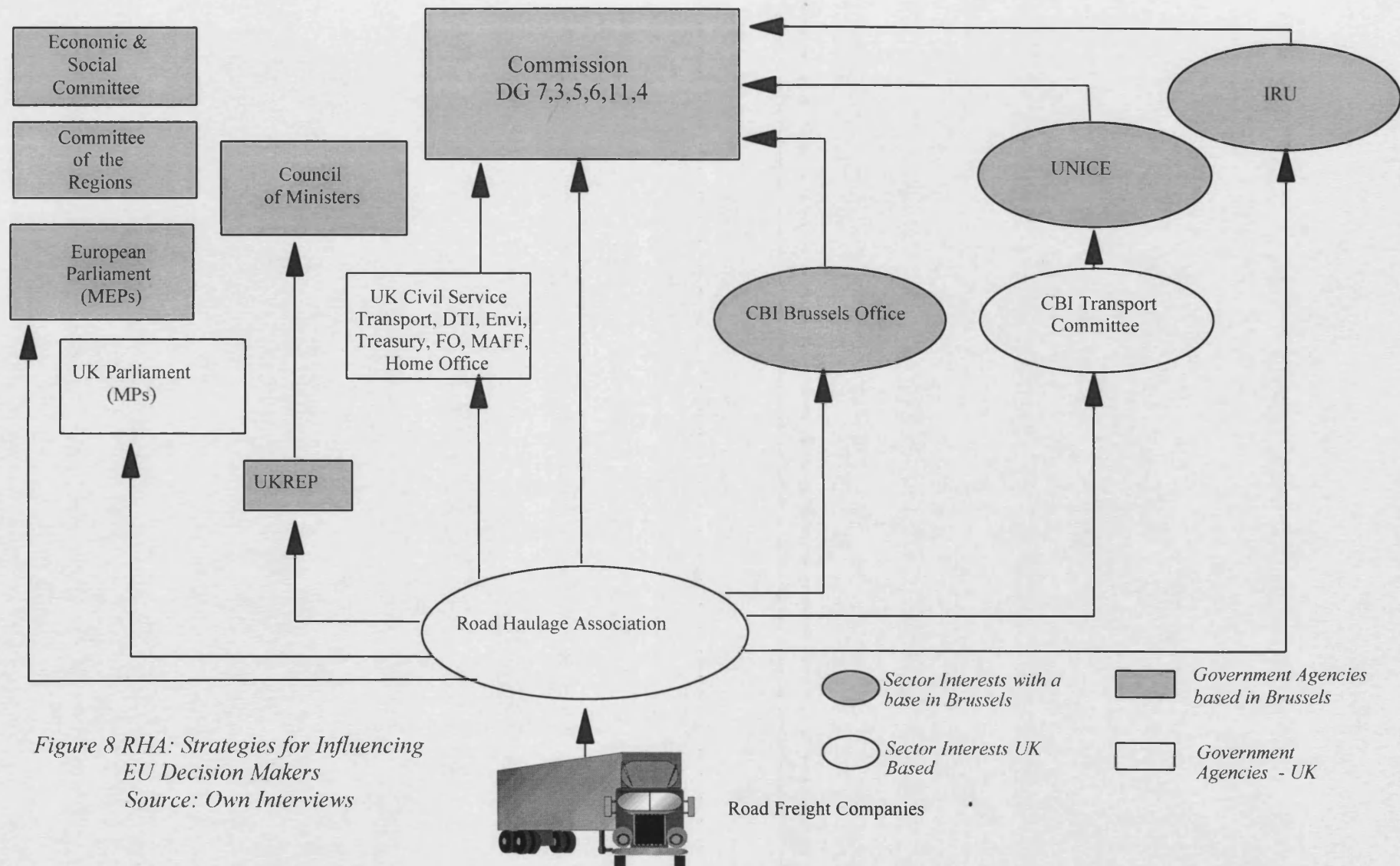


Figure 8 RHA: Strategies for Influencing EU Decision Makers
Source: Own Interviews

Officials approached by the FTA within each directorate can vary. In DG VII (Transport) discussions may be with the Director General, while in DGIV (Competition) it may be Director level. Contact at all levels is, however, frequent particularly with more junior levels of the Commission, where policies are being considered or developed. Cabinet contacts are also important however, and each Cabinet will have one member with responsibility for the transport portfolio. This is also a useful means of learning what is happening within each Member State.

The third major institution that the FTA seeks to influence is the European Parliament. Though discussions with MEPs take place less frequently than with officials within the Directorates of the Commission, there is evidence of the growing importance of the Parliament in FTA networking activities. This was confirmed not only by the FTA but also one of the MEPs represented on the Transport and Tourism committee.

The FTA representative tries to attend the European Parliament's plenary session each month and has developed a range of contacts there. *'When I came to Brussels it became apparent that we needed more contacts [with MEPs], that the Parliament was important. They have now got the power to chuck legislation out. This imposes a discipline on the Commission, who in this case would have to go through the much lengthier procedure. They will now accept amendments to proposals in order to lessen procedure time, particularly if they want to get something through in a hurry'* (interview: 18).

An example of this was the amendment of bill which would effectively have banned the carriage of all radio-active isotopes on board passenger planes. The amendment was introduced by a member of the Green Party on the European Parliament Environmental Committee. As most radio-active isotope is carried on passenger planes, it would have caused a major problem for businesses which produce isotopes. In the end, the amendment was not pursued as a result of informal discussions with the chairman of the Committee. The compromise was the agreement to improve the controls on the carriage of radio-active isotopes. The point worth noting about this example is that the proposed legislation (i.e. amendment in this case) had already reached the second stage of discussion in the European Parliament before there was any involvement by firms or business interest groups.

The implications of the power to amend proposals by the European Parliament may not be fully understood by UK business both within road freight and other business sectors. Views about the European Parliament can still reflect the scope of powers pre-Maastricht and even pre-SEA. The reasons for this continuing perception are beyond

the scope of this paper. However, it is not a view shared by those company, trade association and industry representatives working directly with EU institutions.

Despite the FTA's increasing efforts within Brussels, and latterly some shift in approach by the RHA, there is no sudden 'switch' of activities to the European level. There continues to be a need for these associations to represent sector views to national government and local authorities regarding transport issues. Although this is a 'de-regulated' sector, operators are affected by legislation covering many different areas, from vehicle taxation to access to town centres, there is still a large role for the association in relation to national issues. Both the FTA and the RHA have well established links with national and local government machinery and these continue to function much as before. The UK Department of Transport (Interview: 27) considers these two organisations as the key points of contact for seeking business sector views.

However, the FTA's presence in Brussels has brought a new dimension to relations with national government. This has been in terms of the *acquisition of information*, and the speed of that acquisition. It is not necessarily always EU developments that can be accessed more quickly however. The network of contacts also gives the organisation an insight into issues emerging from other Member States. An example of this was that the FTA obtained information about the operation of the proposed 'vignettes' system in certain EU countries, in advance of the Department of Transport. These are the States which do not currently have a road toll system. The document detailing the methodology for operating the system was only available in German. As it was not strictly a Commission matter, it did not surface through normal channels, but through other interest group contacts. This measure was prompted by financial and environmental concerns, primarily on the part of Germany, that operators from various nations were taking advantage of the free motorway system, funded nationally, while their own operators from countries were having to pay tolls elsewhere for the use of road infrastructure.

These proposals are of major importance to UK road freight operators as the implications of a further tax being levied on operators whose vehicles are already taxed at the highest rate within the EU has consequences in terms of overall competitiveness. The high rate of vehicle taxation within the UK is a constant bone of contention between vehicle operators and the UK Treasury. Logically, the chances of obtaining such advance warning is increased with the presence of a representative based in Brussels, and the network of contacts it is possible to build *in situ*. This is an advantage which is unlikely to be enjoyed by the RHA, despite its more recently developed links through the CBI's British Business Bureau.

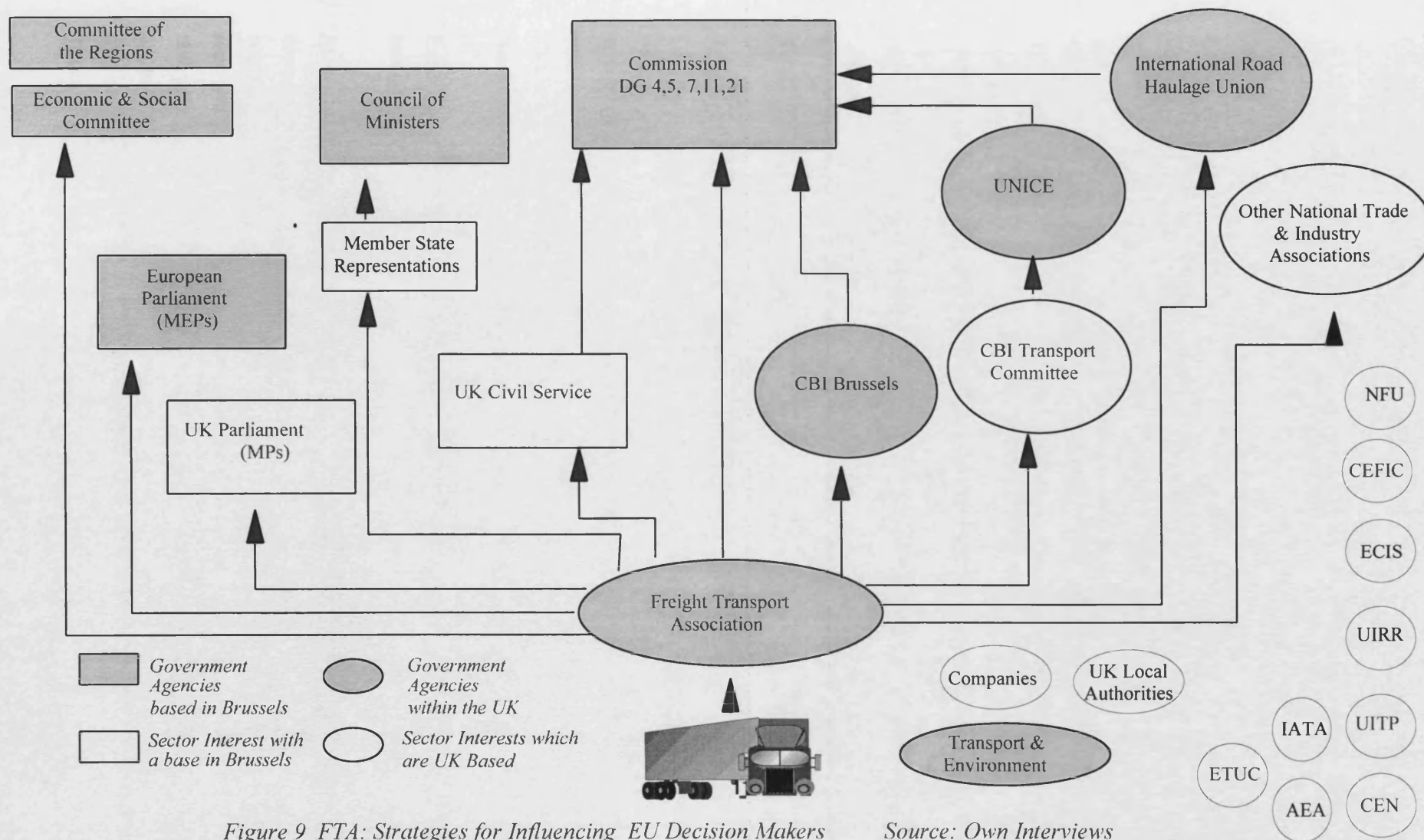


Figure 9 FTA: Strategies for Influencing EU Decision Makers

Source: Own Interviews

For the FTA, the informal network is reinforced by the presence of the association's representative on various committees. The FTA representative takes the CBI seat at the UNICE transport working group, attends the IRU Own Account Operators committee, and has been invited to serve on the ECOSOC transport committee (as a technical expert). David Green, President of the FTA, is also currently President of the IRU. Although informal networking is considered most important, these contacts and membership of certain committees highlights relationships between lobbying organisations, notably the CBI, UNICE and the IRU, and the position of the FTA as an important player in each. The FTA has developed a sophisticated lobbying strategy which is similar to those found in the multinationals interviewed in the preliminary stages of the research, or that is reported in other research (McLaughlin, 1994; Cawson, 1992). The predominant characteristic of this approach is the development of complex networks of contacts, not only with EU institutions, but also with other Member State associations, and other lobbying organisations (see figure 9). This enables a proactive style of influence, that is, influencing decision-makers at the early stages of policy formation, and developing a network capable of early warning on issues that may arise. Having said this, the FTA recognises the limits of its influence on EU policy-making. It recognises that the 'rules of the game' are determined by the political institutions themselves and these 'rules' specify that formal consultation is through pan-European interest groups. This is one of the reasons why it has deliberately strengthened its involvement in UNICE and the IRU. Contact with the CBI Brussels office (the office of the FTA is located in the same building in Brussels, though they have subsequently moved), and with the IRU have increased since the appointment of a Brussels representative, but this has also allowed the association to extend its network to other organisations such as the UIRR, UITP, CER, CEN, CEFIC, NFU, ETUC and Transport and Environment. In the context of environmental issues Transport & Environment is carving a position for itself as a key representative of environmental interests. Its membership consists of organisations like Friends of the Earth and Transport 2000, and it is viewed by both the DG XI and the FTA as a sensible negotiation participant (interview:34)

In summary, the results of this research suggest that as far as EU policy making is concerned the RHA influences the EU mainly through national government. More recently it appears to have extended its use of the CBI British Business Bureau to represent its views to EU institutions. Although clearly it has adapted its strategy, it is still principally concerned with national consultation routes. By contrast the FTA has adopted the highly proactive strategy of locating an office in Brussels. The association may still respond reactively to proposals, but its strategy is to network directly with EU institutions, and to be represented directly on EU fora in order to influence the very

earliest stages of thinking about potential legislation. The impetus for both types of approach was identified by the RHA and FTA as 'membership requirements'. On one level this simply recognises the pressure, or lack of it, for more involvement with the EU and by implication the perceived commercial importance of its decision-making to member companies. On another level the profile of companies, their size, scope of activities, involvement with EU institutions in other sectoral issues, can be seen to link to the influence strategies visible within the sector. In particular, the approach of multinational companies to influence activities, and the confirmation of multiple-strategies, i.e. individual lobbying capabilities as well as support for collective interests, chiefly the sector or trade association, as the distinctive hallmark of this particular group of firms.

There may, however, be a further factor which has influence on the varying approach of these two organisations. This is that the FTA may see commercial opportunity in terms of developing its profile with existing and potential members through the 'added value' its expertise in European issues may give. Trade associations have their own customers, markets and, in this case competitors. They will therefore generate their own strategies and policies, and this may include seeking opportunities for differentiation from competitor organisations, or developing the career profile of their senior staff.

This discussion shows that there are parallels between the two trade associations representing the road freight sector. They have both developed a direct approach to lobbying Brussels, rather than solely relying on national government, or for that matter, their European federation. The FTA has very visibly increased its focus on EU institutions, by increasing the resources allocated to representational activity in Brussels. Both associations however, recognise that the sponsoring directorate within the Commission prefers a pan-European consultation partner. Hence in addition to the activities of a few companies, and the national trade associations a further layer is added by the presence of the IRU and the status this organisation is accorded as a consultation partner to the Commission.

European Trade Association: the European association representing the industry is the IRU. This organisation consists of 154 member associations in 60 countries and has an international as well as European remit. In the EU Member States, there are approximately 45 organisations represented. These are categorised into three main areas of focus: professional haulage, own account operators and coach operators. Three committees represent these areas and contain representatives from national trade associations and industry associations. Road Freight segments, reflecting distinct

competitive and policy communities, are therefore visible within the structure of the organisation as can be seen from the membership details, and this arrangement enables it to continue to manage diverse sets of interests. The RHA is represented on the Professional Haulage Committee and the FTA representative attends the Own Account Committee.

The IRU was formed just after the second world war. It was originally linked to the UN initiative which set up the TIR system, a system of insurance for hauliers and users of their services. The IRU was formed in order to negotiate with insurers to provide the scheme and then to administer this. There was therefore a specific *raison d'être* for the organisation, which still derives income from the overall management of the system at its headquarters in Geneva - it did not come into existence specifically as an international lobbying organisation. In 1973 however, a decision was taken to set up a Brussels office and to maintain a permanent representation to the European Commission. The reason was the gradual realisation of the implications of the growing legislative powers of Community institutions. This was a realisation on the part of the IRU itself and does not appear to have been generated by the national organisations which form its members. These were reportedly reluctant to relinquish direct contacts with the Commission in the early days. Starting with one appointee, the IRU office has expanded from 4.5 FTE to 6 FTE clerical and managerial staff in 1995. By Brussels standards this is quite a large office. In 1995 the CBI was staffed at 5 FTE, including the British Business Bureau. The work of IRU representatives focuses on the Commission, and to a lesser extent the Parliament, though this has increased over the last 5 years (interview: 24). There are contacts with national ministries but Council contacts are for the most part left to Member State organisations.

Contacts with the Commission are wide-ranging and cover not only DGVII Transport, but DGV, Social Affairs, DGXXI Customs & Indirect Taxation, DGXXIII Consumer and SMEs, DGIII Industrial Affairs, DGXIII Information Technology and DGXI Environment. Contact with DGXI Environment is only just beginning, and the contact procedure is '*not well developed at the moment*' (interview: 24) in comparison to some of the others. The main focus of contacts is DGVII Transport and DGV Social Affairs, and the IRU is represented on the Committee for Road Transport and the Committee for Social Affairs, amongst others.

The IRU is one of the two main interfaces with business interests in this sector within the Commission, excluding ETUC. The other formal link is with UNICE. The IRU therefore forms the main interface for European Road Freight sectoral, and has frequent formal and informal contact with DGVII. The diverse demands of the various

national industries, and the segmentation of the industry into different groups (i.e. own account, public haulage and passenger) gives this organisation inherent problems in terms of representation - those caused by the heterogeneity of member interests which it must encompass. To date it appears to have overcome these and established a strong position as consultation partner to the Commission. There has, however, been some discussion within the FTA about whether a separate European (rather than international) federation should be formed, which would align more closely with the cross-sectoral membership of the FTA and other national trade associations (interview: 18)

The role of the IRU reflects the international scope of the road freight sector, as it represents both EU and non-EU countries. It has a strong position as the key sectoral consultation partner with the Commission for whom such transnational interest representation is important. Despite this however, national interests such as the RHA and FTA, also engage in their own direct contact with EU institutions. They will not 'leave it to the IRU'. Unlike some concentrated sectors however, the IRU does not appear to face parallel lobbying by firms, at least this is the case within the UK.

National & European Industry Associations and Chambers of Commerce: within the UK context, the CBI has the role of representing national business interests across all sectors. It currently has around 250,000 direct and affiliated members. It does not seek to represent specific sector or specific company views however. Its role is to address broad industry and economic issues and to communicate the views on national issues both to the UK government and EU institutions. In the case of the EU institutions however, the formal channel of communication is through the European federation of industry associations, UNICE.

The CBI has maintained an office in Brussels since 1971, and like the IRU its lobbying activities have increased. The number of people directly employed in this area have risen since that time to the current level of 5 FTE. This includes a relatively new part of the Brussels operation, the CBI British Business Bureau. Located in the same offices in Brussels, this new area was set up in 1990, initially with 6 clients, now with 20. It provides special information and introductory services for members who pay a fee (in addition to their CBI subscription) for these services. It is self-financing, and therefore has enabled the CBI to increase its presence in Brussels without, presumably, incurring additional costs to London. The RHA and FTA are members of the Bureau.

The CBI's increased lobbying capability is not solely reflected in changes within Brussels. In London, increased activity can also be noted within the European

Community Affairs Group. This acts as the link between the Brussels operation and the various divisions and committees of the CBI in London. It has the specific task of liaison with the European Parliament, a role which has grown since the SEA. The current head of the European Community Affairs Group spent 6 months in the Brussels office before taking over responsibility for the area in London. Broadly speaking therefore the Brussels office concentrates on the Commission and Council (via UKREP, and the British Embassy) while the main focus of contact with MEPs is through the European Community Affairs Group. This does not imply that the CBI Brussels office has no contact with MEPS (a dialogue with 5 or 6 MEPs is maintained) just that there are two distinct areas of focus across the two offices.

Within the CBI in London, a European Committee reviews EU legislation. The Committee is provided information on EU developments through the Brussels Office via the European Affairs Group. The Committee consists of representatives from a variety of different companies and businesses, including Unilever, Grand Met, ICL, consultancy firms and trade associations, though neither the FTA or RHA are represented here. The Committee reviews legislation and effectively identifies issues which may then generate lobbying activity either to the UK government or the EU. Influence strategies include going direct to EU decision-makers or UNICE depending on the issue.

The FTA and RHA are, however, represented on the CBI's Transport Policy Committee which has representatives from both users and providers of transport infrastructure, for example, British Rail, BAA, Boots, Powergen, and the Society of Motor Manufacturers and Traders. Of the two freight associations, a CBI interviewee commented '*We have close relations with the FTA, and we leave European matters to their European representative based in Brussels. We don't deal with operations issues, such as drivers hours, we leave that to the FTA*' (interview: 21)

There are no direct links between the European Committee and the Transport Policy Committee, though there are the administrative means (meetings etc) through which areas of common interest are flagged across the various policy areas of the CBI. The Transport Policy area will make direct representations to the Commission, or go through UNICE depending on the issue. The chairman of the Transport Policy Committee has been involved in a presentation to the European Parliament's Transport and Tourism Committee within the last twelve months.

As a route for companies to influence the EU, particularly road freight companies, the role of the CBI is far more limited than that of the trade associations. The CBI's work

within the transport area is still 95% focused on national government, and concentrates on transport infrastructure issues (interview: 22). It does exert some influence and this is achieved both directly with the EU, in particular the Commission, and increasingly through the European Parliament, and indirectly through national government departments and UNICE, the European industry federation. There are indicators however that road freight transport specific European lobbying is centred round the activities of the FTA, whose dealings with the CBI, particularly the Brussels office, have increased. By contrast, the CBI Brussels representative confirmed that there is no regular contact with either the RHA or for that matter the IRU.

The main Commission contacts for the CBI handled through its Brussels office are centred on DGIII, Industry, DGXV Internal Market, and DGXXIII, Consumer and SMEs, this confirms that transport issues and attempts at influence in this policy area are being channelled through other sectoral routes.

The same picture cannot however, be applied to UNICE, which is one of the three main business interfaces with DGVII, Transport. Founded in 1958, by the industry associations of the six founder states of the Community, it now represents 32 national federations, some of which represent non-EU countries. The structure of UNICE is based on policy areas, represented by committees, one of which is the transport working group. The CBI's seats at the UNICE Transport Policy Committee are taken by FTA representatives. This organisation focuses on broad social and economic issues and has a particular interest in the development of the Common Transport policy and the broad implication of transport policy for industry competitiveness. It is part of the influence strategy for the FTA, which occupies the UK seat on the transport committee, an access which is logical given the association's broad transport interests in shipping and air freight as well as road. For the RHA however, narrower interests focused on road freight indicate that this organisation does not form a significant part of their strategy.

Another active consultation partner for the Commission is Eurochambres. Representing small to medium-sized firms in particular, the high numbers of small and medium-sized companies within road freight suggests this might be a prime route for lobbying. There is no evidence however, that the UK Chambers of Commerce are used to gather information about EU policy development or to channel views to the Commission or other institutions. There may be a different situation in other Member States, as differences between Chambers of Commerce and their relationships with national government vary. However, it is fairly clear from interviews in the sample companies and the response of EU policy-makers that the sector associations are the

main influence routes, with CBI and other industry organisations as the chief secondary routes.

Summary: the research shows the dominant role of the IRU and the national sector associations as the main routes for exerting influence. Of the two trade associations within the UK sector, one of these, the FTA, has evolved a more direct style of influence and engages in the direct lobbying of EU institutions, which involves funding a lobbying representative in Brussels. The RHA is trying to increase direct influence capacity through the CBI Business Bureau, suggesting that the cost of own direct representation through establishing a base in Brussels is still considered prohibitive by the company membership of this organisation. It also confirms however, the importance of the location. The RHA's response seems to be to try to mitigate the costs of a Brussels location while gaining the benefits of access to information and influence through the presence of the British Business Bureau.

This lobbying is targeted mainly at the Commission. DGVII Transport has three main interfaces with business, which are UNICE, the IRU and Eurochambres. Of these, the IRU was identified as being particularly important. Secondary level contacts maintained with national government, UKREP, and MEPs. There is increasing interest being shown by the FTA in the European Parliament. Ultimately however, the main sectoral consultation partner as far as the Commission is concerned is the IRU. While the FTA and RHA may have informal contacts, the Commission is clearly favouring an interest group which can represent pan-European views. For the Road Freight sector therefore, the focus on using the national government routes to the EU has now been supplemented by the more direct approach to EU decision-makers. However, the proactive style of lobbying which involves locating professional services in Brussels is only evident in the FTA's approach.

There is evidence of increasing focus on EU developments, with increased resources devoted to tracking policy development and developing influence capability. Of the key players identified, the FTA, RHA, CBI, and UNICE, the most significant recent changes appear to have taken place within the FTA, which has invested in sending a representative to Brussels. A question is therefore why the approach of the FTA differs from that of the RHA. The RHA clearly recognises the importance of EU policies for its members. The FTA's own explanation points to the requirements of its multinational company membership, whose representatives hold influential positions within the organisation. This is in marked contrast to the RHA membership.

Until now, the major issue for the sector has been the completion of the Internal Market, the fundamental principles of which are very much in line with the UK deregulated road freight environment noted earlier. EU legislation has been largely in harmony with the established UK approach. Commenting on the pre-1992 Common Transport Policy, and the FTA's reaction to this, Whitelegg notes that the association has levelled criticisms at the rate of progress towards liberalisation and harmonisation, but that the driving force behind the policy, i.e. the establishment of a free market economy, is in line with FTA thinking. *'The FTA.....sees the CTP as a major force for pushing home the competitive dominance of the lorry in European freight movement. The CTP policies are in any case, already skewed in this direction, and the FTA's endorsement of many aspects of recent CTP initiatives is a clear indication of this'* (Whitelegg, 1988, p.77). The shift of focus to environmental and social issues contained within the Treaty on European Union is likely to carry with it far more contentious and politically sensitive issues, and transport concerns may find the need for a more proactive attitude to policy-making and the handling of transport and environmental issues. An example of the problems faced by the road freight industry was demonstrated when the House of Lords Select Committee recently published a report recommending the Government accept the proposed 44 tonne limit for domestic freight vehicles. This was in line with EU proposal published in 1993, one of a number of measures aimed at harmonisation of operating conditions across the EU. It provoked hostile response from the public however, due to concerns about road safety and in general about damage to the environment. What is not evident however, is how this new pressure would significantly alter the preference for collective strategies by individual firms within this sector. This suggests that the strategy may be linked to the industry structure rather than the policies in question.

6.7 Conclusion: Opportunities for Influence & the Costs and Benefits of Information

The rationale for lobbying proposed at the outset of the paper maintained that opportunities for influence occurred through the existence of information asymmetries between decision-makers and those interested in the outcome of decisions. The ability to capitalise on these opportunities could also be enhanced in certain circumstances by certain characteristics of the decision-making institutions, for example, the openness of decision-makers to contact by interest groups. The development of the EU has gradually resulted in the enhancement of its institutions and decision-making powers, and it has considerable powers of resource distribution.

Commentators on the development of the EU are consistent in their observations about the open attitude of the Commission in particular to contact from outside (Mazey & Richardson 1993a, 1993b, 1993c; Andersen & Eliassen 1993). This is supported by the Commission's own re-statement of the principles of '*an open and structured dialogue*' between itself and interest groups. The conditions for the existence of influencing activities are clearly evident in the EU context. They exist not just at a general level, but within the more specific context of Road Freight.

However, these two factors alone are not enough to account for the particular organisation of influencing within the sector. They do not provide an explanation of why companies may choose to influence through collective strategies, or invest in individual lobbying activity as part of their overall strategy, or for that matter, why decision-makers should encourage direct contact by individual firms more in some areas than others. In Road Freight there is little evidence of individual company lobbying, though some companies have clearly positioned themselves to do this should the need arise. The preference is for collective representation through the trade associations (see figure 10).

The details of the Road Freight sector show this industry to be dominated by very different national regulatory regimes, but whose basic structure in terms of the predominance of small operators is the same. The structure of these companies is simple. They may form part of a multidivisional business, for example P&O or BOC, but usually they are individual firms, sometimes with subsidiaries abroad. There is a mainly national focus to the industry, reflecting the different industry customer profile of each national environment, for example the sophistication of the retailing sector within the UK. The technology of the industry is simple, by comparison with pharmaceuticals or chemicals. The barriers to entry are low for most would-be entrants. Exceptions are the more complex logistics operations associated with retailing, or the transport of dangerous goods.

In contrast to the pharmaceutical or chemical sectors, road freight could not claim to be a centre of technical innovation, it is not a 'strategic' industry sector, either from a national or EU viewpoint, though it may provide strategic services for multinational firms. It does not therefore represent potential for direct competitive advantage for the EU in the international economy. Key areas of technical innovation are likely to go hand in hand with complex technical knowledge. Where individual firms are the holders of this knowledge, it may create a balance of information in its favour, and create an opportunity to use this to advantage in negotiations with decision-makers. Acquisition of such information ensures that decision-makers are likely to be far more

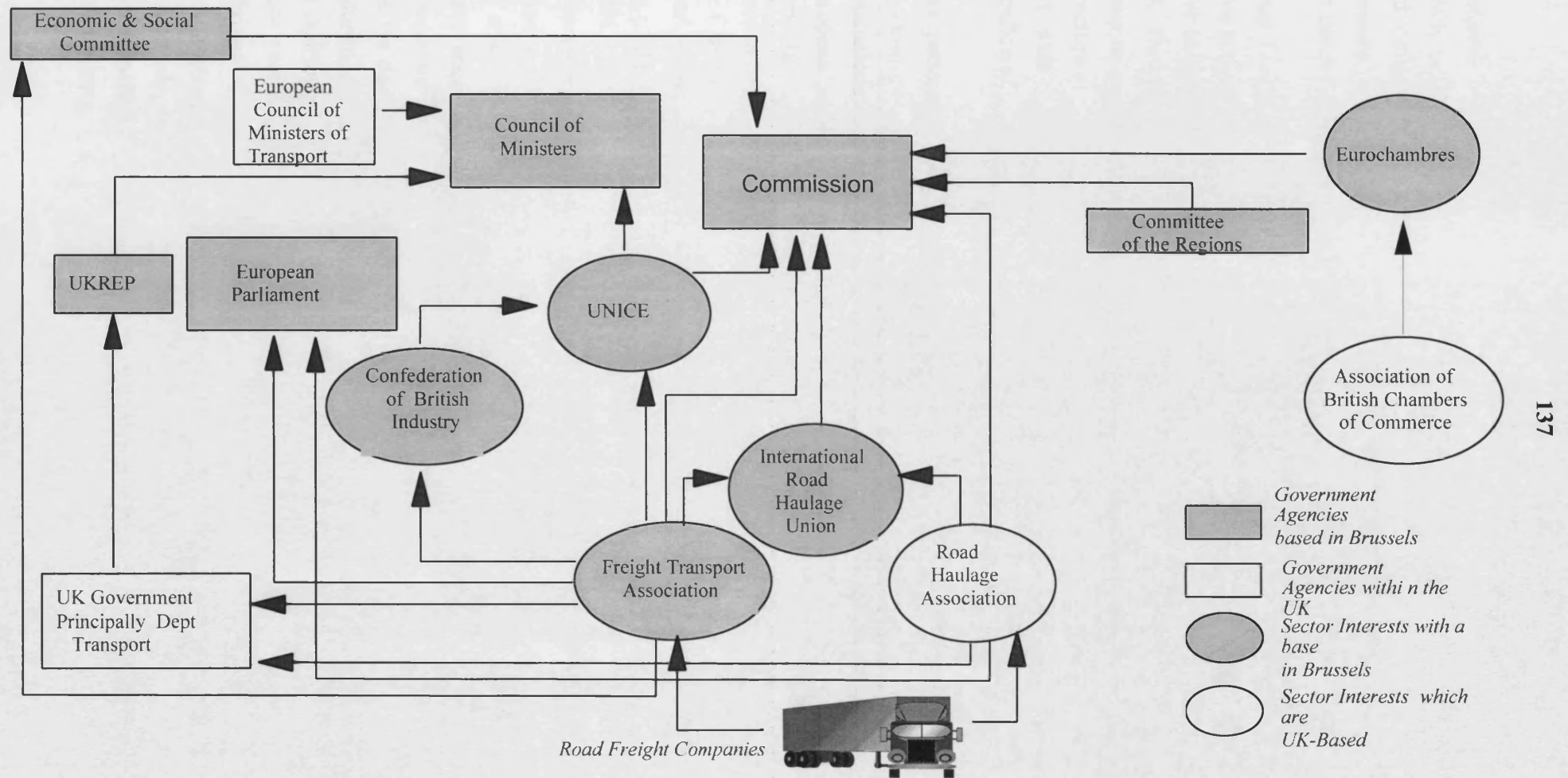


Figure 10 Lobbying Participants & Primary Lobbying Routes in the UK Road Freight Sector

receptive to consultation with individual companies who can provide this. This is clearly not the case with the majority of road freight companies, both within the UK and outside. The only current example of a deviation from normal consultation methods through interest groups identified as part of the research, is on the subject of the transport of dangerous goods, a more 'technical' area.

Road Freight has however, been the subject of some major policy initiatives which have proved very contentious at a national level, even if for the UK proposals so far have tended to line up with the 'liberal market' principles broadly accepted within the UK. Despite this, there is little evidence to suggest that for the majority of firms the focus of attention has shifted to the EU. There are examples of the appointment of directors or non-executive directors with EU links, but these are the larger companies, and with one exception do not appear to be active lobbyists. The exception, significantly, is the only multinational company within the sample.

This pattern of response does not however, repeat itself at a sectoral level. The organisation of interest within the sector is predominantly through the trade associations. The two focal points for lobbying activity have taken a different stance to European issues. The RHA has a wide-ranging dialogue with the Commission in particular, and also other EU institutions when necessary. It has no representative based in Brussels however, choosing to use a service provided by another organisation, the CBI British Business Bureau. Therefore while it recognises the importance of the development of the EU, the costs of establishing a presence there are too high, hence use of the CBI Brussels Bureau and IRU as both information sources and influencing routes. The FTA by contrast has appointed a representative in Brussels, and its network of contacts reflects this. The major reason identified by the FTA for this approach was linked to the acquisition of information. The costs of this approach have been offset in the ability to acquire information faster, and to use this in direct lobbying activities where necessary. The benefits can be construed both as benefits to the FTA as a commercial organisation in its own right. However, it is also clear from the research that the decision to appoint a 'Brussels representative' was driven by the pressure of multinational member companies. These companies may not be road freight specialists, but their operations mean that they have a substantial interest in this sector. They are major contributors to the FTA whose membership fees are based on the turnover of individual companies. The evidence suggests that these companies, many of whom have in-house lobbyists based in Brussels, have been instrumental in encouraging the FTA to adopt a highly proactive, direct lobbying approach. Whether the FTA would have adopted this approach without such pressure is debatable. What is clear however, is that where they have some direct interests in road freight issues multinational

organisations have influenced the pattern of representation for companies outside their own sector.

Chapter 7

Influencing Strategies in the UK Pharmaceutical Sector

7.1 Greenwood & Ronit's Analysis of Interest Representation in the Pharmaceutical Sector

This chapter describes how firms seek to influence the EU, both at an individual level and collectively within the UK Pharmaceutical sector. The purpose is to contrast the pattern of EU influencing with the previous study of road freight, setting this within the context industry structure and competitive environment. This contrast is used to highlight the important aspects of firm size, industry concentration, transnational marketing and operations, which provide key factors underlying the company influence strategies and the organisation of influence within the EU.

The UK Pharmaceuticals industry provides the focus of this chapter in order to maintain an appropriate basis for comparison with UK Road Freight. As the analysis of the industry structure and competitive environment will show, however, this sector is characterised by a high degree of internationalisation, and is more properly regarded in a global context rather than national one.

Before commencing with the analysis of industry structure, the next section reviews the existing work on the sector by Greenwood & Ronit, both to highlight some of the findings from their work and identify how the approach used here both uses, and develops this further.

The focus of investigation by Greenwood & Ronit concerns the development of interest group representation within the EU (Greenwood & Ronit 1991; Greenwood & Ronit, 1992; Greenwood, 1994 pp 183-197). The case studies presented on both pharmaceuticals, and the closely related new biotechnology industries, explore and challenge the notion that all Euro-interest groups are 'weak'. They argue that such an idea is based on inappropriate generalisations about the relationships between interests and the institutions of the EU, and that this is not supported when reviewed against the evidence from empirical studies into sectoral arrangements. General labels such as 'pluralist' or 'corporatist' are unsustainable, and to progress a useful understanding of how interest groups interact with EU decision-makers, empirical investigation at the sector level is the most appropriate approach. Greenwood & Ronit's research into the pharmaceutical and biotechnology sectors demonstrates that not only have these sectors achieved strong representation at the European association level (though not

without some difficulties in the case of the evolving biotechnologies industry), but the form of this representation, i.e. the dominant influence strategies differs (Greenwood, 1994, pp 183-198). For pharmaceuticals, the federated format where national sector associations are part of a European federation has achieved a strong, cohesive collective voice for the industry at European level. For the developing biotechnologies industry a different format has emerged, with a direct company membership European group (SAGB) emerging to take a key representation role for the industry at European level. In both cases, Greenwood & Ronit show these European interest organisations have achieved an influential position as negotiators for their industries.

The interest from the point of view of this thesis, is that conclusions about the rationale for such representation patterns are linked to a number of factors by Greenwood & Ronit; the common (regulatory) issues faced by the industries across national boundaries, and the experience that firms within these sectors have in operating across national boundaries. Greenwood & Ronit point to the particular significance of internationalisation within the sector, arguing that the similarity of problems faced by companies supports more cohesive action at a European level. In the case of the European trade federation, EFPIA, a further factor identified is this organisation's approach to handling large and small firm membership issues. Basically, it ensures that it is careful to position itself to accommodate the views of its larger members.

Greenwood & Ronit's work is chiefly targeted at the collective representation of interests, and reasons why this sector appears to have been able to develop strong collective representation. The 'unit of analysis', or to borrow Ragin's terminology, the 'observational unit', appears to be the interest group rather than interests (including companies) in the wider sense. While data from the studies by Greenwood *et al* therefore provide important evidence on how representation works within the sector, this has been developed in relation to industry structure.

The importance of industry structure in determining influence strategies and directly lobbying 'Brussels' as part of this, was outlined in chapter 2, and certain key characteristics implicated in the behaviour of firms and sectors. This has provided the framework for analysing both road freight and pharmaceutical sectors, and assesses the influence of industry structure on patterns of representation visible within each. The thesis confirms Greenwood's point about the importance of particular industry characteristics, but seeks to examine more explicitly the characteristics which define 'industry structure', and therefore provide a basis for comparison with Road Freight.

7.2 Industry Structure and Competitive Environment

The pharmaceuticals industry is a relatively recent arrival in business terms. From very small scale beginnings its growth accelerated after the Second World War with the discovery of penicillin. This gave impetus to the search for new drugs. In recent years a whole new area of research in the biotechnologies field has developed. Within the UK, the success of companies such as Glaxo and Wellcome (now merged) have established this industry as a leading sector. As the UK trade association ABPI noted in its 1992/3 annual report, *'British pharmaceutical companies have discovered more of today's top selling medicines than any other country, apart from the United States. Five of the world's 20 most prescribed medicines are British.'* In 1992 ABPI estimated that the UK industry alone employed 76,900 people, of which 26% were dedicated to research and development activities.

Subsectors: the pharmaceutical industry is not homogeneous and there are a variety of different markets which segment the industry. Taggart (1993, p.3) identifies the key market subsectors as follows:

- Medicinal Chemical Manufacturers
- Biological Products
- Ethical Pharmaceutical Manufacturers
- Proprietary Products Manufacturers
- Brand Manufacturers (Generics)

These subsectors can have very different characteristics in terms of the size of firms which populate them, concentration, production and distribution characteristics, and barriers to entry. For the purpose of this study the focus is on Ethical Pharmaceutical Manufacturing. This was selected because it provides an example of a higher degree of concentration, within which the presence of large firms is significant. This is also a segment of the industry which is focused on the initial stages of the product life cycle, research and development, and production.

Product: companies within this segment of the industry are characterised by the development and production of drugs in dosage quantities. These are usually made available to the end-customer through health-care professionals, such as GPs, Consultants and Pharmacists. Ethical Pharmaceutical production involves significant investment in research and development. The industry's focus is on product innovation as means to survive and develop within its competitive environment, although recently the producers of ethical medicines have acquired an interest in over-the-counter (OTC)

| WORLDWIDE PHARMACEUTICAL SALES BY MARKET SHARE | | | | | |
|--|------------------------|----------------|-----------------|------------------------|----------------|
| 1994 | | | 1995 | | |
| Ranked by sales | Company | Market Share % | Ranked by sales | Company | Market Share % |
| 1 | Glaxo | 3.6 | 1 | Glaxo Wellcome | 4.7 |
| 2 | Merck | 3.4 | 2= | Merck | 3.5 |
| 3 | Bristol-Meyers Squibb | 3.2 | 2= | Hoechst Marion Roussel | 3.5 |
| 4 | Roche | 2.8 | 4 | Bristol-Myers Squibb | 3.1 |
| 5= | Johnson and Johnson | 2.7 | 5 | American Home Products | 3.0 |
| 5= | Pfizer | 2.7 | 6= | Pfizer | 2.9 |
| 7= | Smithkline Beecham | 2.5 | 6= | Johnson and Johnson | 2.9 |
| 7= | Ciba | 2.5 | 8 | Roche | 2.6 |
| 9= | Hoeschst | 2.3 | 9= | SmithKline Beecham | 2.5 |
| 9= | American Home Products | 2.3 | 9= | Ciba* | 2.5 |
| Top 10 | | 28.0 | | | 31.2 |
| 11 | Bayer | 2.2 | 11 | Rhône-Poulenc | 2.2 |
| 12 | Eli Lilly | 2.1 | 12 | Bayer | 2.1 |
| 13 | Sandoz | 1.9 | 13 | Eli Lilly | 2.0 |
| 14= | Rhône-Poulenc | 1.8 | 14= | Sandoz * | 1.9 |
| 14= | Schering-Plough | 1.8 | 14= | Schering-Plough | 1.9 |
| 16 | Abbott | 1.7 | 16= | Astra | 1.8 |
| 17 | Astra | 1.6 | 16= | Abbott | 1.8 |
| 18= | Takeda | 1.5 | 18 | Pharmacia & Upjohn | 1.7 |
| 18= | Sankyo | 1.5 | 19= | Sankyo | 1.6 |
| 20 | Boehringer Ingelheim | 1.4 | 19= | Takeda | 1.6 |
| Top 20 | | 45.5 | | | 49.8 |
| * Ciba and Sandoz to merge with market share of about 4.5% | | | | | |
| Worldwide sales of prescription drugs | | \$185bn | | | \$205bn |

Table 8 Market Share, Major Pharmaceutical Companies
Source: Financial Times 25.03.96

medicines, possibly as a result of developments stemming from national government attempts to control drug bills as part of health spending. For example, SmithKline Beecham acquired Sterling Winthrop, which has some major OTC brands such as Panadol. However, new drugs continue to represent major commercial opportunities. In 1993 Glaxo recorded the development of 6 new products within its annual report, and SmithKline Beecham similarly announced progress on medicines ranging across a number of therapeutic categories. In terms of product life-cycle, this industry encompasses development, manufacture, marketing and distribution of goods.

Concentration/Fragmentation: the Pharmaceutical sector is dominated by large international companies, which have significant market share. The top 20 companies represent a market share of 45.5% of world pharmaceutical sales and UK companies such as GlaxoWellcome, ICI, and SmithKline Beecham are recognised as highly successful competitors in this field (see table 8). Over the past 2-3 years there has been a large scale restructuring of the world industry. This '*wave of consolidation*' (*Financial Times* 23.3.96) has resulted in a further concentration of the industry.

The degree of concentration is not as great, however, as in some other industries. In the motor manufacturing sector, a few firms capture around 90% of the market (Taggart, 1993, pp 30-31). However, the details of UK companies for 1995 shows that by comparison with the Road Freight industry, the UK industry is populated by far fewer firms (Table 9), which suggests this sector can justifiably be described as oligopolistic (Hancher, 1989, p.161).

Large/Small Firm Emphasis: the sector is distinguished by the presence of some very large companies which have substantial market share. Despite the growth of smaller biotechnology firms over recent years, the emphasis in this sector is on large firms (table 9). In 1993 the annual report for Glaxo noted approximately 40,000 employees worldwide of which 7,500 were employed in research and development activities. SmithKline Beecham reported a total of 52,000 employees worldwide within its 1994 annual report.

In 1993 sales for Glaxo totalled £4,930m, with profit after tax amounting to £1,207m, while SmithKline Beecham recorded sales of £5631m and profits of £842m for the same year.

Operations and Structure: the pharmaceutical industry is characterised by complex operations covering a wide variety of functions, from research and development, to production, storage and distribution. Its marketing activities are regulated, and have to

be targeted not at the end-user but health care professionals, at least in the case of prescription medicines.

| UK Pharmaceutical Companies 1995 | |
|----------------------------------|-------------|
| Turnover (£000,000) | No of Firms |
| 1-36 | 47 |
| 37-49 | 21 |
| 50-99 | 34 |
| 100-249 | 74 |
| 250-499 | 58 |
| 500-999 | 37 |
| 1,000-4,999 | 86 |
| 5000+ | 457 |
| Total | 814 |

Table 10 Size Distribution UK Pharmaceutical Companies

Source : Keynote Market Research 1995

Another layer of complexity is added to this by virtue of its international operations and market. Glaxo reported sales by geographic area in 1993 in North America, Europe, the UK, Southern Asia and the Far East, Latin America, Africa and the Middle East, and Australasia. North America represented the largest market (43%), with Continental Europe and the UK representing just under 40% of sales. The international nature of the market in pharmaceuticals is mirrored by the scope of its operations. These are also international, involving the management of complex operations. The 1993 annual report for Glaxo illustrates this with comments about the approach to dealing with this. *'The complexity and scale of our global manufacturing capability underlines the importance of strategic planning and co-ordination. Further progress was made in creating an integrated network of production sites. Major new projects were initiated or completed in the UK, France, Canada, Australia, Indonesia, Saudi Arabia, Argentina and Turkey.'*

These characteristics make the industry particularly information intensive, a characteristic which has also been related to lower levels of rivalry. Information intensity is complexity of information flow and management needed to co-ordinate the company's operation. Although pharmaceutical firms and industry representatives often cite 'fierce competition', between firms, an analysis of rivalry by Porter (1990), suggests that this industry has characteristics which militate against competitiveness (Taggart, 1993, p.146). The observation about information intensity is an important one given earlier arguments about the role of information in the creation and capture of opportunities for influence.

The degree of rivalry within a competitive environment is noted as an important factor in explaining the ability of firms to co-operate, as Bowman's study of the US bituminous coal producers demonstrates (Bowman, 1988). But it needs to be set within the context of other industry characteristics, which may determine the form that this rivalry takes. Within ethical pharmaceuticals, energies are channelled into the discovery of new drugs, rather than positioning the price of goods within the market. This does not mean that pricing is unimportant, it simply reflects the differentiated nature of the industry's products. A similar analysis of Road Freight highlights the contrast in terms of lower growth levels and a tendency for over-supply in the industry, the fragmentation of the industry, the emphasis on price cutting rather than product/service differentiation, and the relatively simple structures and operations which generate relatively low levels of information requirement.

Glaxo Wellcome and SmithKline Beecham, as the two leading UK companies within the sector, have corporate structures to support these operations. GlaxoWellcome has a main Board with a director specifically responsible for legal and corporate affairs. The focal point for corporate affairs is not obvious within the SmithKline Beecham structure as this firm divides main board responsibilities by geographical area instead. Both, however, have public affairs representatives based in Brussels.

Technology: the companies within this sector are characterised by their high expenditure on research and development. Firms expenditure in this area has continued to increase steadily since the 1950s. Between 1953 and 1992 Research & Development expenditure has risen from 2% of output to 17% (ABPI, 1993, p.4). The UK is the fourth largest investor in pharmaceutical research and is also characterised by a strong export-led focus. It is a UK success story in terms of world class companies. In 1992 the *Sunday Times* noted that 4 of the world's leading drug companies were British (Glaxo, SmithKline Beecham, ICI and Wellcome). In 1995 the merger of Wellcome and Glaxo produced the world's largest pharmaceutical company with an estimated 7% of world market share (*Financial Times* 25.3.96).

The production of new drugs is a high risk business. In 1993 ABPI estimated that out of 5000 or so compounds discovered and investigated, on average only one reaches the prescription market. The success or failure of firms is dependent on the ability to innovate, and this maintains the support for increasing research and development expenditure. *'Companies which discover new drugs can look forward to a prolonged period of growth in sales and profits. Companies with a less successful innovative record either have to diversify, license new products from other firms, or be acquired'* (Taggart, 1993, p.40).

The principal way in which new discoveries are protected, in order to allow the return on the high research and development costs, is through the patent system. These licenses, once obtained, provide a monopoly on the production of a particular product. Licences were originally for 16 years, and then extended to 20 years by the 1977 patents act. More recently EU legislation introduced the supplementary protection certificate (SPC) to bolster patent by adding up to a further 5 years to the existing 20. This was an important development for the industry given the reliance on innovation and rising R&D costs. The EFPIA noted in 1993 - *'The SPC derives its rationale from the steady growth in the length of pharmaceutical R&D, both because of stricter regulatory requirements, and due to the nature of pharmaceutical research itself - pitched as it is on the very frontiers of science. In consequence, the duration of effective patent protection for pharmaceuticals has been declining; it is now about 8-10 years, versus the nominal 20. The SPC, the first of which were granted early this year, is an attempt to redress this disadvantage'* (EFPIA Annual Report 1993, p.43).

The focus on R&D and the advanced technology that this implies, is also a reason why the barriers to entry within this industry are high. Technical specialism, facilities required to research and produce drugs, the length of time that it takes to bring a product to market, and the safety issues associated with production and consumption means entry to this market is difficult and few new players can afford the required substantial advance investment in R&D. Leaving aside the recent wave of mergers, within the last 50 years there have been few changes within the top 50 firms (Taggart, 1993, p.126).

What has been a new departure for the industry is, however, the growth of a new subsector, the biotechnology industry. In the broadest definition, the use of 'biotechnology', for example the use of biological organisms like penicillin, or the cross-breeding of plants or animals, is not new. Within this definition the discovery and development of many drugs could be classed as 'biotechnology'. However, the term 'biotechnology' is now more often used with reference to the use of genetically modified organisms in the production of new products. The application of these products may cross many industry sectors, including the production of new medicines. This relatively new segment, stemming from the application of gene-splicing technology, R&D into new biotechnologies has resulted in the emergence of many small firms. Major pharmaceutical companies have made their own investment in this area of research, but they have also acquired some of the smaller companies as well as developing a strategy of alliances. The latter approach, according to one report has gathered pace within the last five years. The benefits of such alliances *'are that they give the pharmaceutical industry the opportunity to keep a watching brief on*

emerging technologies, without risking a significant commitment' (*Financial Times* 25.3.96). The same article points out that Sandoz, Ciba and Roche have '*forged deals with over 100 companies, mainly in the US*'.

National/Transnational Focus:the pharmaceutical industry is highly internationalised, not just across EU borders, but globally. High R&D costs have been viewed as one of the main drivers of the internationalisation of the industry. Firms seek to amortise the costs of research and development, and also to maximise revenues from already patented products through international marketing (Taggart, 1993, p.40). Although US firms have decreased dependency on international markets, the European based firms have increased their international focus. This internationalisation is not just in terms of markets. The operations of the larger firms are also international. In 1990 Glaxo had operations in 50 countries, and Wellcome had 40 subsidiaries throughout the world (Taggart 1993, pp 241 & 293). Hence the industry leaders are international both in terms of their operations and their product markets.

The market for drugs however, is a special market. The market for prescribed, or 'ethical' medicines is one where companies do not sell primarily to the user of the commodity. They sell to health professionals, and within the UK, to the National Health Service within which the majority of health professionals operate. It is the *agency* which therefore pays for the drug. As the cost of health care through the NHS is a direct cost to government it is not only interested in the pharmaceuticals market as part of its own healthcare policies, but looks at it from the point of view of controlling expenditure. In 1992, ABPI, the UK industry's trade association, estimated that sales to the NHS amounted to £3.5bn, corresponding to 9.7% of the total NHS expenditure (ABPI, 1992, p.7).

As noted earlier, the patents on drugs, granted to ensure high risk R&D costs may be offset, create a monopoly situation. In 1957, the Department of Health introduced a pricing system called the PPRS (Pharmaceutical Price Regulation Scheme). This scheme regulates the profits earned by companies on drugs sold to the NHS. While there is no direct control of price, in effect product prices are set in the context of the allowable profit. The Department of Health negotiates with the UK industry a maximum rate of return on the capital employed on company sales to the NHS. The industry is set an overall range against which individual companies operate. Companies are free to set prices themselves, but must remain within the overall return on capital employed for NHS business. Once set however, prices cannot be raised without permission.

Within the UK, and other EU Member States, the last few years have seen increasing pressure on health costs, and continued government pressure to reduce health service bills as a result. This has resulted in the target range being reduced to 14 -18%. Another assault on costs has emerged through the introduction of the 'limited list' within the UK. This specifies drugs which may be prescribed through the NHS, and those which may not. This was first introduced in 1985 and covered a number of areas like analgesics and tonics, but has been extended more recently. The response of the industry, has been predictably hostile. ABPI noted in its 1992/3 report *'The Association's case against the Limited List extension is based on the premise that it will restrict the choice of medicines available to NHS patients; it will act as a deterrent to the discovery and development of new medicines; and it will damage the industry's ability to compete with its major international competitors'* (ABPI, 1992-3, p.8).

The pharmaceutical industry is an important contrast to Road Freight therefore, in the internationalisation of its production and product markets, but also has distinct and important national regulatory and procurement aspects.

Strategic Importance: as the previous section shows, the strategic importance of this industry is based on observations about the changing relationship between firms and national governments in the context of increasing competition. *'Faced with the difficulties of adjusting their economies to global competitive demands, governments have become increasingly concerned with the competitiveness of their economies under conditions of high international interdependence when their industries face strong adjustment needs.....Government officials fear that faster industry life cycles call for early identification and targeting of emerging industries, and believe that co-operative state-private sector institutional arrangements can perform these tasks more effectively than private firms acting alone'* (Doz, 1986, p.228). Although the comment is made in relation to national governments, it is also valid within the context of the EU. This can be seen in policy relating to advanced technologies, which is given a legal base within the Single European Act. *'The Community's aim shall be to strengthen the scientific and technological base of European industry and to encourage it to become more competitive at an international level'* (SEA, Title VI Article 130f).

This objective has found expression in a series of collaborative programmes of which the first was ESPRIT, but which was followed by others, including some focused on biotechnologies (Greenwood & Ronit, 1992, p. 92). These were based on the growing

awareness that firms needed to be able compete on a global basis if they were to meet the challenge from the United States and Japan.

Against this background, Europe has produced some of the most successful European international pharmaceutical firms. These are also firms which are strengthening alliances with, or acquiring biotechnology companies, as the economic potential of this technology appears to grow. In the context of the Single Market therefore, the pharmaceutical sector may justifiably be considered 'strategic' from the point of view of the competitiveness of European industry, a conclusion supported by the existence of a specific EU industrial policy for the sector. Moreover, *individual firms* within the industry are strategic by virtue of their size and global market share.

Summary: the ethical pharmaceutical industry has some discrete characteristics as a segment of the total pharmaceutical sector. It is high risk, requiring substantial investment in research and development, and it is reliant on innovation to ensure appropriate returns against this investment. It is dominated by large companies, which are international in both their markets and operations, and there is evidence that the already high degree of concentration in the industry is increasing as a result of a wave of mergers and acquisitions over the past two to three years. It has also, however, seen the growth of a range of smaller companies specialising in the research and development of genetically modified organisms. Industry response has involved the growth of alliances with large multinational organisations and these smaller firms.

While therefore the sector cannot claim to be as concentrated as some, for example, motor manufacture, it is clearly at the other end of the spectrum from road freight, with its predominance of small nationally focused firms. The contrast is also marked in terms of regulation by national government. For ethical pharmaceutical manufacturers the government is in effect its major customer, through its direct control of the majority of health services offered to the end customer. It is 'regulated' through the PPRS scheme. This sets the target for return on capital which is negotiated with the industry. This is in complete contrast to road freight where government regulation extends to operational and safety issues, but prices and profitability remain the prerogative of companies.

The key focus within the pharmaceutical industry is on innovation. Its purpose is the discovery and development of new drugs, which represent major long-term profits for a company which is successful in this field. The product of this research and development is by its very nature 'differentiated', and successes are protected through the patent system, in order to offset R&D costs. Road Freight by contrast, is a service

rather than a development and production industry. There is little differentiation in service with the exception a few companies specialising in complex warehousing and distribution systems. The key differentiation, for the majority of operators in this industry, is price.

7.3 European Policies and Legislation Governing the Sector

The above description of the industry shows that it is closely regulated by government within the UK. While national systems differ across the EU, the creation of a Single European Market posed a number of issues stemming from the political and economic implications of the Single Market within which firms operate. These were technical barriers associated with the different national schemes for the certification and registration of new drugs, and the need for country-by-country marketing authorisation. Closely linked to this was the issue of the erosion of patent life, due to the time period required to obtain certification and authorisation for drugs. Finally, barriers which result from different pricing and reimbursement schemes contained within national healthcare arrangements.

The legislation contained within the White Paper on the Single European Market, and all subsequent legislation is based on an initial directive (65/65/EEC). This was issued after the Thalidomide case. It states that the primary purpose of regulations governing the production and distribution of pharmaceutical products is to safeguard public health. This overall objective must, however, be achieved without damaging the development of the industry or its trade in products. The directive also stipulated that each Member State must have its own regulatory body which should be responsible for deciding whether to issue authorisations to market products within their own country.

Harmonisation of Registration & Marketing Authorisation

Despite moves towards harmonisation, Member States still reach different decisions about the registration of products. Directive 75/319/EEC established the Committee on Proprietary Medicinal Products (CPMP) as part of a focus on harmonisation. This committee provided the means by which Member States could exchange information on aspects of product licensing including experiences with new or existing products. It was drawn from the pharmaceutical inspectorates of Member States, each one having a delegate. The Committee enabled a company which has obtained authorisation in one Member State to achieve similar authorisations in other States more quickly. Its purpose was to facilitate the authorisation process through what was known as the 'multistate procedure'. Unfortunately however, delays in the assessment of submissions

through the procedure did not reduce time, and ABPI, the UK trade association, reported that it took on average over 11 months from the opinion issued by the CPMP before decisions were forwarded to companies (Charlesworth, 1992, p.38). In response to this Greenwood notes the influence of the industry's European federation (EFPIA) on the revision of the procedure to deal with the problem (Greenwood & Ronit, 1992, p.82). This included direct company representation on the CPMP, and the implementation of an accelerated process for high technology products.

Attempts to improve the multistate procedure were limited, however, and EFPIA proposed that there was an underlying requirement for a centralised, independent system of registration and marketing authorisation, which would make these processes consistent across the European Union. In 1990 the Commission proposed the establishment of a centralised system of medicines evaluation and regulation (COM (90) 283). This required the establishment of the European Agency for the Evaluation of Medicinal Products. The outcome was the provision for both a centralised and decentralised system, depending on the nature of the product. It was proposed that those derived from biotechnology and other innovative products use the centralised system, and products where efficacy and safety are already established use a system of mutual recognition across Member States.

Intellectual Property Rights

Patent protection issues are closely related to registration and marketing authorisation. The reasons for the industry's concern with this is clear from the focus on innovation and the high costs of R&D incurred before drugs can be marketed. Intellectual property rights are a key issue for the industry.

Two important areas have been the focus for pressure by the industry in recent years. The first is the erosion of the actual patent life of products, caused in the industry's view by stricter regulatory requirements. EFPIA estimated that the nominal 20 year patent protection was in reality 8-10 years, taking into account the first date of registration. The industry achieved a significant goal when patent life was ostensibly extended through the introduction of the Supplementary Protection Certificate (SPC) adding up to 5 years life on patents.

A further advance has been made with regard to biotechnology products, which were seen as poorly protected due to the differences between Member States in implementing pharmaceutical directives and the particular sensitivity of high risk biotechnology ventures. The special requirements for the registration of high-

technology products (87/22/EEC), the 'concertation procedure' have been supported by a new provision. Any application to the CPMP which is successful automatically receives patent protection for a period of 10 years starting from the date of issue of the first marketing authorisation within the European Union.

Protection of intellectual property rights is pursued vigorously by the industry, and EFPIA has been active in both the above issues as well as others, such as local working requirements (where patent holders in the EU are obliged to undertake their manufacture on national territory), trademarks, and international agreements on property rights.

Classification, Information and Advertising

The industry has been subject to regulations concerning the classification of medicines, the labelling and information provided on medicines, and rules regarding the advertisement of these products. How medicines should be classified is set out in Directive 92/26. Key to this is the classification of drugs into two groups. Those which are subject to prescription and those which are not. A further Directive issued in the same year (92/27) specified information which must be provided on pack labels and stipulated that all information provided in leaflets must be consistent with the summary of product characteristics described within marketing authorisations. Directive 92/28 stated that advertising must be consistent with these product characteristics and confirmed that prescription only drugs should be advertised to the general public. It further specified that Member States must have some means of control over advertising, even if this is through self-regulation.

Transparency and Pricing

Pricing issues have been the focus of some of the most persistent regulatory problems for the industry. They arise from the different social security systems and health provision within this that has been set up in different countries since the second world war. *'In most European countries only prescribed medicines are reimbursed, but reimbursement arrangements differ widely from country to country. In fact not all medicines are reimbursed, and few are reimbursed in full. Some countries limit reimbursement to a proportion of the prices of the prescribed medicine, others to a flat-rate amount according to packaging or prescription. Most countries operate a co-payment systems which requires patients to meet part of the cost of their own prescribed medication'* (EFPIA, 1992-3, p.31). The problem with these different

systems lies not just in the operational complexity this causes a pharmaceutical company, but also the opportunity it presents for discrimination against particular products on a national basis, particularly when governments are trying to reduce the cost of health care spending.

Directive 89/105 was issued in order to make some inroads into this issue. This obliged Member States to publish the criteria on which they based their price controls and any restrictions on the use of products covered by their national health insurance systems. The so-called 'transparency directive' aimed to make visible the criteria on which prices and profits were determined, rather than the earlier proposals for the harmonisation of pricing schemes across Member States, which was greeted with alarm by some firms (Greenwood, 1992, p.79). EFPIA played a key role in handling this potential regulatory threat, through the alternative scheme which the association proposed. This formed the basis for the transparency directive. EFPIA managed to persuade the Commission to take the governments of Italy and Belgium to the Court of Justice over discriminatory pricing schemes.

The European association's close working relationship with the Commission is noted in its Annual report of 1992/3, where reference to the (then) outline proposals on industrial policy for the sector note *'The Communication draft bears testimony to the seasoned relationship between the Commission and EFPIA. The Commission, which has appeared receptive to the full range of EFPIA's arguments, has also recognised an issue often underscored by EFPIA: that though the European pharmaceutical industry continues to achieve satisfactory results, recent trends indicate a weakening of its competitive position vis-à-vis its principal competitors'* (EFPIA Annual Report 1993, p.34).

Manufacture , Good Practice and Technical Standards

In 1988 a Commission proposal was passed (COM87/697), which supported the introduction of a code of good manufacturing practice. This led to Commission Directive 91/356 which stipulated certain standards with regard to quality assurance, the use of appropriately qualified personnel and premises and equipment amongst other things. Of a similar nature, Directive 87/320 specified requirements for good laboratory practice, and similar best practice has also been identified for clinical practice.

The Single European Act and Other Policy Issues

The above sections describe some of the major regulatory issues to which the industry has been subject since the mid-eighties. They are not the only issues however, and regulation governing the European vaccine industry, liability for environmental damage, waste and packaging are just some of the many additional areas of activity affecting the industry.

The key issues noted have origins which predate the Single European Act. They do not necessarily stem from the main focus of its provision for the free movement of goods, services, capital and people throughout the Member States. The first directive applied to the pharmaceutical industry emerged from particular health issues, and was a Community response to these. The SEA certainly generated legislation, such as the proposal for protection of patent, measures regarding advertising, distribution and the legal status of medicines, and the requirement for a centralised, and faster system of registration and marketing authorisation. However, it could be argued that regardless of the SEA these represented major issues for the industry, which were tackled within the overall context of the industrial policy for the sector.

A significant difference between this sector and road freight is that the pharmaceutical industry is seen as a strategic sector, i.e. one which is a source of competitive advantage in a global context. The importance of creating or retaining technological pre-eminence is the basis of this advantage. It is also the basis of a changing relationship between government and an industry characterised by technical innovation (Porter, 1990). As economic actors in their own right, governments clearly have an interest in nurturing the source of such potential competitive advantage, as part of their own goals.

The Pharmaceutical industry is already the source of such advantage, both in a UK and European context, as the earlier details of innovation and export performance demonstrate. The aim of the Commission is to maintain and develop this position. *'In his keynote address to the Federation's General Assembly-Conference at Salzburg in May, Commission Vice-President Martin Bangemann publicly warned European governments that ill considered cost-containment measures would affect the ability of the pharmaceutical industry to develop new medicines. Later at a meeting with pharmaceutical industry CEOs, Dr Bangemann confirmed that the Commission's goal was to create an environment which would strengthen the research-based pharmaceutical industry in Europe' (EFPIA Annual Report, 1993, p.34).*

This highlights the potential conflict between Member States action to reduce the cost of healthcare, through reducing drug bills amongst others, and a suitably favourable environment for the industry as outlined by Commissioner Bangemann. It also points to the importance of the EU as a focus for influencing policy, industrial as well as health care. While national government remains important in terms of health care systems, *'the regulatory environment is now primarily an issue for the Community rather than national government, although national governments retain the power to influence, delay or for that matter destroy EC initiatives'* (Sharp, 1991, p.229).

7.4 European and National Consultation Procedures

Although many key issues are viewed within a European or even an international context, the power of national government is a substantial one. Due to the close link with health care systems, which vary from Member State to Member State, the national dimension remains important for pharmaceutical industry. National government is the main purchaser of its products, and attempts at policy-making in this area by the Commission are inevitably highly sensitive. Consultation with the industry covers three main areas of focus. First the regulation of product, second the regulation of price/profit, and third competitiveness within the market. The regulation of product is the prime concern of the UK Medicines Control Agency. Within the Department of Health itself, the focus is on drug-pricing management, and competitiveness within the market place. A recently formed industry sponsorship unit exists in order to ensure that an industry conscious approach is pursued to policy-making, whilst maintaining public confidence in the industry, its regulation and its products. In addition, the International Industry Division monitors EU developments in terms of the strategic direction of EU initiatives.

The key consultation partner for the Department of Health is the ABPI. Another smaller organisation, the PAGB is also consulted, and contact may take place with various other groups, for example the British Pharma Group, but the key partner is ABPI. Consultation forums for specific issues may involve individual company representation, but the Department will usually ask ABPI to facilitate this. An industry strategy group forms the focal point for regular consultation (Pharmaceutical Industry Strategy Group). This meets quarterly and consists of senior representatives from the Department of Trade and Industry, the Treasury and the Department of Health as well as key ABPI representatives. However, the majority of contact is ad hoc and frequent (interview: 20). There is little evidence of the presence of lobbying firms. Approaches are rare, and seem to concentrate on information gathering. Department representatives take the lead negotiating role in the Pharmaceutical Working Group

meetings. Dealings are chiefly with DG III, DG V and DG XIV, although some contact also takes place with DG XII and XIII.

At a European level, EFPIA plays a key role as consultation partner with the Commission, though large firms clearly have a presence in Brussels. The strength of the federation's position is indicated by Greenwood, and Greenwood & Ronit's treatment of the organisation of interests in this sector, but is also indicated through the strategy adopted by the UK national association. While it certainly maintains contact with EU institutions, its own stated policy is to focus on the UK.

7.5 Company and Sector Influence Strategies

7.5.1 Companies Response: Individual Strategies: the segment of the pharmaceutical industry which concerns itself with the discovery and production of ethical pharmaceuticals is relatively 'concentrated', and is dominated by a number of large multinational organisations with considerable resources at their disposal. These resources are easily sufficient to support individual EU lobbying capabilities, and large UK firms such as Glaxo Wellcome, and SmithKline Beecham have their own representatives based in Brussels. (interview: 1). These are a relatively new breed of professional 'public affairs' specialists employed directly by, and servicing the interests of individual companies. Although there is a higher incidence of direct lobbying by firms, and the appointment of Brussels-based lobbying representatives, this is still the preserve of multinational corporations, and appears to come under the umbrella of the public relations function within the organisation (interviews: 7, 16). There are however variations in approach which stem largely from the attitude of Board members to the function. Glaxo Wellcome has maintained a presence in Brussels, while Sterling Winthrop for example, while it still invests in a lobbying representative has now re-located its lobbying representative to the UK.

Another significant difference in this sector is that the UK companies also have to contend with the presence of major US international pharmaceutical companies such as Merck and Eli Lilly. Both of these have representatives in Brussels (interview: 2). They have a separate organisation representing their views in addition to AMCHAM. This is the Pharmaceutical Manufacturers Association (PMA) which forms an important avenue for influence for these companies or their UK subsidiaries. Given earlier arguments about the competitive nature, or not, of the industry, the Sterling Winthrop representative's comment on the co-operation across member companies is telling *'In most cases there was little divergence in interests. It was not a case of competitive advantage as such. We were a co-operative and like-minded group and we*

were establishing ourselves as the infantry on the ground' (Interview:code 7). This interviewee also noted that particular care had to be taken not to overload the Commission with information and contacts, which could be seen as 'intrusive', and by implication have an adverse effect. This could suggest that associations may play a part in self-regulation of lobbying in a sector where a relatively high level of individual firm lobbying is characteristic of the sector. Glaxo Wellcome employ government affairs representatives to deal with both national and EU issues, and have a UK full-time appointee in this role, as well as a representative in Brussels. In other countries, this may not be a full time appointment, unlike the UK, but may be subsumed under the broad umbrella of corporate affairs work. The Sterling Winthrop representative was also part of the corporate affairs function within the firm.

The focus of work within the EU is the Commission, and within the UK the Department of Health. However, there is also considerable contact with the Department of Trade and Industry, and occasionally other departments such as Environment and Treasury. Glaxo's representative confirmed that there was regular contact with 20-30 UK civil servants. This particular company also delegates responsibility for contact with MEPs to the national government affairs representatives. Interestingly, little contact was reported with other pressure groups of representing non-business interests, and also little interaction with competitors except through work with associations, at least at the level of government affairs specialists (Interview: 16). Sterling Winthrop however, reported some contacts with BEUC and emphasised the importance of combined action - *'the only way I could make an impact was with working with others'* (Interview: 17). Their lobbying representative also confirmed use of external lobbying agencies, even if these were to assist primarily with information gathering, rather than the representation work itself. The main consultation partner for the Commission appears to be EFPIA, which has established a significant role for itself according to both Greenwood & Ronit and the company and governmental sources interviewed within this sector.

7.5.2 Sector Response: Collective Strategies: Influence within the sector is exerted through both the activities of individual companies, trade associations and cross-sectoral groups. However, the *key* interest groups representing the industry at European and UK level are:

- The European Federation of Pharmaceutical Industries Association
- The Association of the British Pharmaceutical Industry

EFPIA, as the trade federation for the European industry has been very proactive in working with the Commission, and ensuring that industrial competitiveness is always an active consideration. As Greenwood & Ronit note *'Although EFPIA has not had its own way in every instance, it has clearly had a considerable impact upon the regulatory flavour of EC action in the sector, to the extent that its major demands have been incorporated'* (Greenwood & Ronit, 1992, p.82). To date the industry has been rather successful in influencing policy initiatives, and in using the strategic position of the industry as the main thrust of its argument in preventing or adapting what it sees as potentially harmful regulation.

The UK pharmaceuticals sector is represented by a UK national trade association, the Association of the British Pharmaceutical Industry (ABPI), though there is also another organisation representing the smaller producers and manufacturers of over-the-counter drugs and generics (PAGB).

Pre-dating the existence of EFPIA, the International Federation of Pharmaceutical Industry Associations was created in the 1970's, in response to the regulatory threats posed by the World Health Organisation (WHO). There also exist various groups which represent the interests of the new biotechnology industries. These are identified by Greenwood as:

- Bio Industry Association (BIA)
- European Secretariat of National Biotechnology Associations (ESNBA)
- European Federation of Biotechnology (EFB)
- Forum for European Bioindustry Co-ordination (FEBC)
- Senior Advisory Group Biotechnology (SAGB)

Greenwood singles out the Senior Advisory Group Biotechnology (SAGB), as the most influential of these (Greenwood, 1994, p.193). In addition however, he notes the interest of other sector associations such as CEFIC, and EFPIA in this field, various national forums for biotechnology which are non-associational, specialised biotechnology interests such as the 'Yeast Industry Platform', and the activity of individual firms, and networks of firms. This new area is marked by the proliferation of different forms of collective action.

For the purposes of this analysis the main focus is on the influence strategy of ethical pharmaceuticals companies, rather than biotechnology firms. As noted earlier however, there are significant linkages between the two, witnessed by the growth of alliances

between biotechnology concerns and the pharmaceutical multinationals. For this reason, some mention of biotechnologies cannot be avoided in the following details.

National Trade Associations: ABPI represents the focal point for the industry in the UK. In 1994, the Association had 110 members of whom 75 were subsidiaries of one sort or another. There were 6 large British owned companies and 30 subsidiaries of French, German, and Swiss companies. Figures for 1995 show a slight reduction in overall numbers but reflects again the presence of international as well as UK based companies. In 1994, the organisation had 12 executive directors and a secretariat of 50 employees in total (interview: 20). This has now increased to around 60. ABPI has regional groupings of members but these groups focus on local activities and building links with the community, and there are no ABPI regional offices to support them.

ABPI has a Board of Management which consists of senior managers from company members. Both UK and non-UK companies are included. The Board is supported by a series of permanent committees and a strategy development group.

Within the association there is a focal point for European activities, totalling 4 staff. The association does not have a Brussels office but works through its European federation, EFPIA. However, as a representative for the association commented '*We will sometimes make direct representation to the Commission. We feel that EFPIA as a federation of association is always having to compromise. If you have a special point you go direct*' (interview: 20). A recent strategy review within the association resulted in a decision to focus on UK issues, with European and International contacts occupying a secondary, albeit important role (ABPI, 1995, p.25). While therefore the association clearly has an involvement in European affairs, and considers itself influential in European policy-making its declared focus is the UK.

The Association's approach to influencing the EU, follows the familiar pattern noted in earlier chapters. The focus of interaction is on the Commission, in order to influence at the early stages of developing ideas. UK Representation is lobbied if influence is required at the later stages of the decision-making process. There is no indication however, that any serious change in attitude towards MEPs had occurred. These were not seen as wielding real power, but the Association clearly recognised the their increased powers as a result of the Maastricht Treaty, and going forward see this as changing their approach to the European Parliament. ABPI maintains some contact with ECOSOC, but again this is seen as low priority, and the Committee of the Regions is, in their view, '*still very much in its infancy*' (interview: 20). ABPI works with the CBI on various issues, particularly with broader commercial issues as opposed

to technical ones, but rarely has any contact with UNICE (interview: 20). There are links with the Chemical Industries Association and its European counterpart, CEFIC. For example the association has fairly recently been involved in work with CEFIC, EFPIA, and the Commission on producing Good Manufacturing Practice guidelines for the inspection of bulk chemicals. Twice a year the association holds a Science and Technology Forum at the European Parliament in Strasbourg, which are attended by around 25-30 MEPs as well as Parliamentary and Commission staff. It also has contact with trade associations in other Member States and in America, for example the Japanese Pharmaceutical Industries Association.

Consultation processes with members tends to be issue driven. For example, on the question of advertising, the Association formed a committee of certain member companies to carry out a review of proposals, and to recommend the position the association will adopt in any negotiations with the EU (principally the Commission). The level of European lobbying activity, and the structures supporting this has not changed significantly from 1991-1994. In the Association's view, legislation specifically on pharmaceuticals is expected to decrease as nearly all the internal market provisions had been passed, even if they were still in various stages of enactment at national level. However, an increase in environmental legislation has been noted, and a significant development is the creation of a new bi-annual meeting of Health Ministers across the EU.

Work at a national level continues to remain important to the industry. This is not only because national government has power over the implementation of EU policy. It is because of the link to healthcare policy and services noted earlier. Within ABPI there is a separate department that works solely on UK government legislation. For example, a key area of concern for the industry has been the introduction and extension of the idea of a 'limited list' of drugs which ABPI has campaigned against vociferously. While the limited list is still in existence, in 1992/3 ABPI had some success in positioning the industry to influence decisions on the list. It achieved this through persuading the government to appoint a former chairman of a member company (Boehringer Ingelheim UK) to the committee which advised on which products should be available through the NHS. ABPI also see their lobbying on the location of the European Medicines Evaluation Agency (EMA) in London as a success story. Here they campaigned with the UK government in a bid for the location of the agency in London, and this proved successful.

ABPI subscription fees for members are at present calculated against company turnover for branded products. Currently, subscriptions range from £14,000 to an

upper limit of £180,000, when the contribution is capped. The subscriptions for 1997 onwards are presently under review, both in terms of the level, and the method of calculation for individual members. The level of subscription fees reflects the size of firm within this sector and is in marked contrast to those noted for the members of the Freight Transport Association and Road Haulage Association. From 1997 onwards the ABPI membership will be expanded to introduce a category termed 'affiliates' with two classes, research affiliates, and general affiliates. Research affiliates will include companies engaged in R&D but with no sales. General affiliates will include companies such as advertising agencies, PR companies, financial analyst houses, law firms etc. The subscription for affiliates will be fixed at £5000 pa but the benefits available to such members will be less than those available to members per se.

European Trade Association: the European federation to which ABPI belongs is EFPIA, The European Federation of Pharmaceutical Industry Associations. Founded in 1978, it consisted of an office in Brussels with a staff of 2. Initially, the three main areas of focus for the federation were set out as intellectual property rights, regulatory affairs and economic questions. By 1994 it had a secretariat consisting of 20 qualified staff, and has established itself as a key consultation partner to the EU on industry matters - *'EFPIA is the industry's spokesman at European supranational bodies; European Union institutions, the Council of Europe, WIPO etc. It represents the European pharmaceutical industry in areas which involve it with associations from other sectors and consumer groups. It represents the interests of the European Pharmaceutical Industry at several international organisations'* (EFPIA 1993, p.13). In 1993, the federation membership consisted of 16 national organisations.

Its structure comprises a General Assembly consisting of representatives from each of the member organisations, an Executive Committee, consisting of a number of permanent members represented by the main producer nations, and a number of 'rotating' member participants. There is also a standing advisory committee consisting of representatives from the major international pharmaceutical companies. Greenwood notes that it was formed specifically in response to the threats and opportunities posed to its interests by the European Community and points to substantial influence on regulatory issues. He comments that *'Although EFPIA has not had its own way in every instance, it has clearly had considerable impact upon the regulatory flavour of EC action in the sector, to the extent that its major demands have been incorporated'* (Greenwood, 1992, p.75) Greenwood shows that the strong performance of EFPIA challenges the idea that all Euro-groups are weak, and explores the reasons for this apparent strength in terms of the characteristics of the industry, in particular internationalisation, and therefore the similarity of issues facing companies across

national boundaries (Greenwood & Ronit, 1994, p.37). The point is that this organisation has achieved a pre-eminent position as consultation partner to the Commission.

In terms of the focus of lobbying activity, a familiar pattern emerges of concentration on the Commission. EFPIA appears to have been extremely successful in developing relationships here, particularly with DGIII. Greenwood & Ronit note *'this relationship has developed into an effective mechanism of sectoral governance'* (Greenwood & Ronit, 1994, p.190). It is also clear however that EFPIA sees the European Parliament as an important target as part of its influence strategy. It both monitors developments carefully in terms of individual initiatives by MEPs, the work of Parliamentary Intergroups, and makes its presence felt in the system of public hearings that are instituted by the Parliament as part of its consultation processes. An example of this is its influence on the European Parliament is the STOA programme (Scientific and Technological Options Assessment), where the Federation was *'accorded official recognition as the expert representing the entire European pharmaceutical industry'* (EFPIA, 1993, p.52).

The position of EFPIA as the main interface with EU decision-makers is supported by ABPI's recent stated focus on UK issues. This does not mean that national associations do not seek contact. However, EFPIA seems to have established a role for itself as the collective voice of the industry at European level, and national associations (at least in the UK) are unlikely to by-pass this organisation in any attempt to exert influence. Unlike the Road Freight sector however, this industry has within it some extremely large, multinational organisations with both the resources and capability to represent their own interests, as noted earlier. As well as acting as individual 'policy participants', these can establish direct company forums to address particular issues, an example of which is given below.

Direct Membership Groups: the shift of attention from Single Market initiatives to broader health care issues has caused a new sectoral group to emerge. This consists of representatives from major firms within the sector and called itself the 'Pharmaceutical Partners for Better Health Care'. At the time of writing, EFPIA and ABPI were not involved in this association, which consists of senior company management, and which commissioned the National Economic Research Association to look at health care issues in '13 or 14 countries', largely in response to the shift in both national government and Commission focus issues affecting the industry. As Glaxo's representative commented *'European Member States are largely facing the same pressures on their health care systems and a number are now talking to each other.'*

There is now a regular EU health ministers meeting which has had the issue of drug pricing on its agenda for the last three or four times' (interview: 16).

The Senior Advisory Group Biotechnology, also falls into this particular category of collective interest representation. It was originally an initiative of CEFIC, and consisted of an invited membership of seven large chemical firms, although it now has affiliated membership of 30 firms, and membership is open to application. The membership is dominated by large firm interests which *'provides an extremely important and influential example of large firm co-operation at the European level'* (Greenwood & Ronit, 1994, p.94). Its success is attributed to a number of factors such as the small number of members, the homogeneity of interests that can be preserved through this, and the presence of large firms with both the resources and the experience of operating within the different national environments of the EU. Here Greenwood points to the importance of such experience to the Commission. This indicates the benefits to decision-makers of access to information, which is simply not available through smaller firms, or even perhaps through a strong European federation. An example of the successful lobbying that this organisation has carried out, is its influence in persuading the Commission to create a high level co-ordination group for Biotechnology even if its approach has sometimes been seen as rather too forceful (Greenwood, 1994, p 194).

7.6 Conclusion: Opportunities for Influence Strategies and the Costs & Benefits of Information

7.6.1 The Strategic Importance of the Industry and Individual Firms: the opportunities created for influencing both national and European government decision-makers are greater for the pharmaceutical industry than road freight. This is due to the leading edge technology it employs and the high profits that can result from successful research, production and marketing of drugs. It is seen as a key industry, by the Commission, i.e. one that is internationally competitive, and as such is viewed as strategically important in terms of EU industrial policy. Because of the advanced technology it employs, the presence of large firms with considerable resources at their disposal, and the international nature of their operations, this puts firms within the sector at a considerable information advantage, both with reference to national and European government. The contrast here with road freight is marked. Relatively low technology, therefore less strategic importance, and the predominance of small, nationally focused firms with low profit margins, mean that these are unlikely to have the information at their disposal which can offer opportunity for influence.

The link between healthcare systems, and the cost of prescription medicines means that government involvement in the pharmaceuticals industry is relatively high. The European industry has faced a threat to harmonise pricing systems (which was successfully diverted by the industry acting through EFPIA), and legislation on the standards of clinical trial, production of medicines, and various other areas. While it is perhaps inappropriate to talk in absolute terms about whether sectors are regulated or deregulated, the close interest in price and profit that national governments show in the industry, and the subsequent need for the industry to monitor potential developments in this area contrasts markedly with road freight.

7.6.2 Individual Firms and Collective Action: individual firm strategies aimed at influencing EU institutions, reflect the use of such informational advantage, despite the presence of strong European collective representation in the form of EFPIA. This is a highly influential organisation that has succeeded in establishing a key role for itself in decision-making, and which is well resourced with qualified staff.

Despite this strength however, the large firms in this sector still invest in individual lobbying. This is not simply the insurance policy approach of having a non-executive director who is an ex-commission official, or lobbyist. These firms appoint public affairs specialists to represent them, and some of these are based in Brussels. Their representatives engage in proactive lobbying which seeks to establish relationships with decision-makers and both gain access to, and influence policy formulation at an early stage in its development. This is not a new development relevant only to European government. It is the way relationships with UK national government are also handled.

The EU has grown in importance to the sector, not just as a result of the Single Market initiative, but as a result of earlier interest in health issues, stemming from the 'first directive'. It is clear however that while national government continues to be an important target for influence in its own right, the preference for direct contact with EU decision-makers, and direct influence both at individual company level and collectively is well-established. Firms follow a multiple route to decision-makers in Brussels as part of their influence strategy, regardless of the relatively cohesive collective representation they have achieved at both a national and European level (see figure 11).

7.6.3 Industry Structure and Influence Strategies: Both EFPIA and ABPI represent a relatively stable, strong collective voice to national government and the EU, and although the responsibilities for representation to each seem to be clearly divided, ABPI will seek some direct contact with EU decision-makers. This is in contrast to the

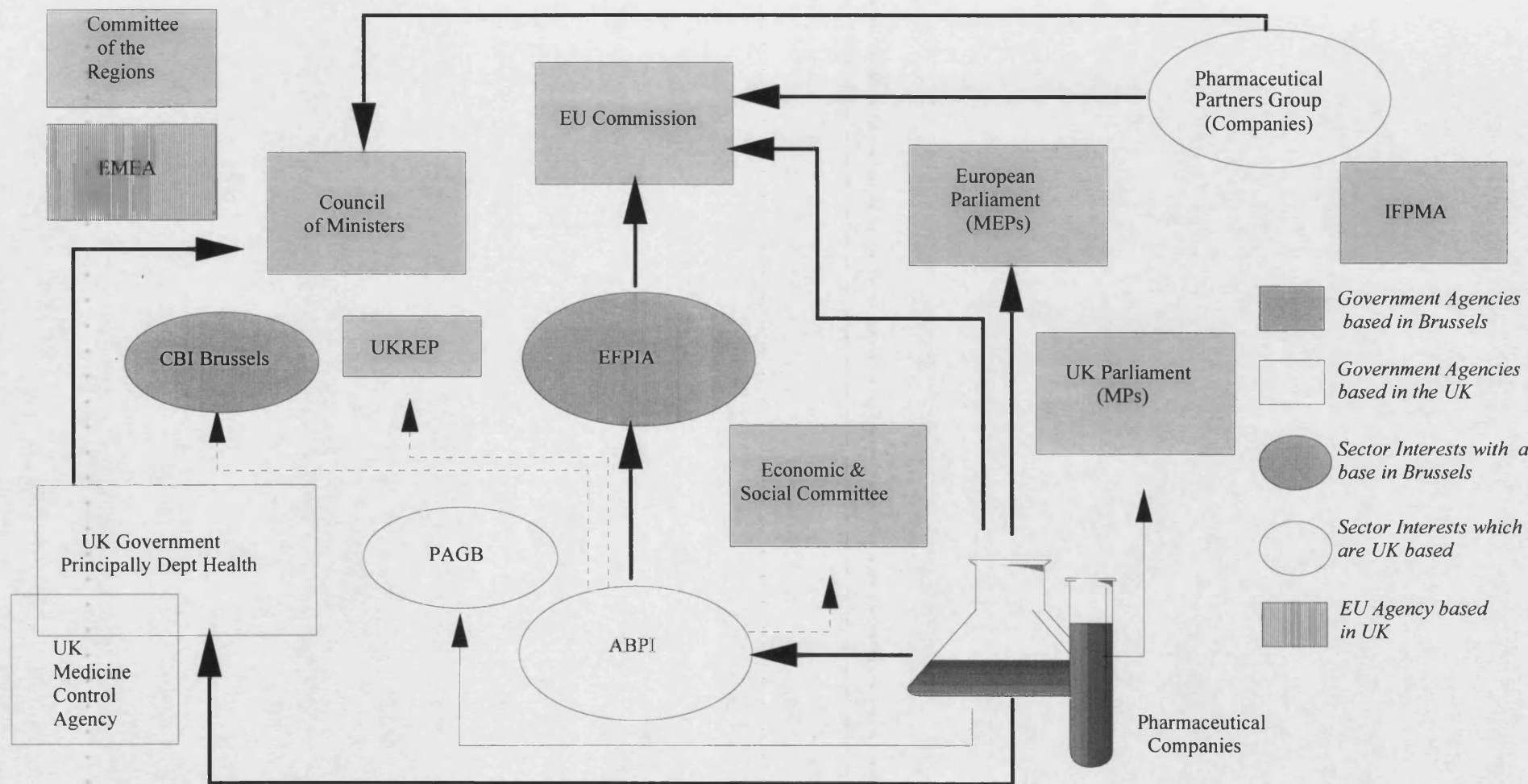


Figure 11 Lobbying Participants & Primary Lobbying Routes to EU Governmental Institutions in the UK Pharmaceutical Sector
Source: Own Interviews

more fragmented approach visible in road freight. In this respect, the influence strategies of firms towards the EU mirrors in some respects the industry characteristics themselves in terms of fragmentation or concentration. Fragmentation lends itself to more competitive behaviour, and weaker collective representation, while concentration aligns with a more cohesive collective approach to influence. The assertion by drug companies that they are in a fiercely competitive environment, is questionable. Certainly in terms of influence strategy they have been able to achieve a highly cohesive approach which does not sit easily with their claim of fierce competitiveness. Given the arguments in chapter 2, it is doubtful if this could have been achieved in a highly competitive context. This behaviour, mirrored in their influence strategies, is logical given the high risk nature of the substantial investment in R&D each firm has to make in order to stay in the market. A highly competitive environment would not support such risks, and would inevitably be self-destructive. The concentration of the sector enables firms to avoid a self-destructive path. This is why individual firm lobbying activities exist concurrently with strong collective representation, and do not appear, as yet, to have caused a problem within this sector. While there is some evidence of tension between individual firm views and those of the associations, there can be little doubt that at a European level, EFPIA plays a lead role for the industry in both monitoring and responding to developments within the EU. The relatively low competitiveness of the environment in which firms operate, is also mirrored in the format and particularly the cohesiveness of its representation both at national and EU level.

In the case of Road Freight, the size of firms, structure of the industry and the membership profile appear to support the continued division of national representation across two trade associations, the RHA and FTA, despite some earlier efforts by the FTA to pursue the possibility of an amalgamation. This contrasts with the more cohesive representation noted by Greenwood & Ronit in the UK pharmaceutical industry at national level through ABPI. At the European level, however, both sectors have developed official consultation partners with the relevant Commission directorate. The IRU in the case of Road Freight and EFPIA for pharmaceuticals. There are therefore some similarities in both sector strategies. The key difference, however, lies in the company influence strategies which underlie this pattern. For the pharmaceutical industry, the presence of large firms with transnational interests, and the advanced technology nature of their business coincides with an influence strategy where individual firm action is allied with support for a collective 'voice'. This multiple influence strategy means that individual firm lobbying representatives from some of the largest organisations are present in Brussels alongside the offices of EFPIA. The final chapter develops these themes and compares the differences and similarities in

influence strategies across the two sectors in order to conclude the findings from the thesis.

Chapter 8

Conclusion

8.1 Political Institutions and Economic Actors

The treatment of influence strategies and 'lobbying' has been examined on two levels within this thesis. The first level concerns the role of political institutions themselves on influence activities. The second level examines firm and sector characteristics, and links these to the patterns of interaction between firms, sectors, and the political institutions of the EU. The final chapter attempts to draw together the findings from the two levels of analysis and presents conclusions based on the findings from the comparison of Road Freight and Pharmaceutical industries.

The thesis is based on the notion that firm and sector influence strategies cannot be understood without recourse to both the political environment, and the economic environment in which they operate. Following North (1990) and Lindberg, Campbell and Hollingsworth (1991), the analysis is based on notion that these two domains overlap, with political institutions and economic actors engaged in reciprocal influence activities. This includes political institutions acting in pursuit of economic aims, as well as economic actors seeking to affect both the policies, and at times the political environment in which they operate. The visible manifestation of this interaction is lobbying activity, whether this is carried out by individual firms, or their collective representatives.

The thesis is not primarily concerned with arguments about whether EU political institutions represent a more pluralist or corporatist environment. The contribution of Streeck and Schmitter (1991) for example, while providing some key insights into the development of the EU political arena, is less relevant here perhaps than the contributions on lobbying and the organisation of influence from others (Greenwood & Ronit 1991, 1994a, 1994b; Cawson, 1992; McLaughlin, 1994), where influence strategies are set within the context of the 'sector', implicitly recognising the importance of industry factors on patterns of interaction between EU institutions and firms. It is not just a case of differences in policies as they apply to each sector, important though these are. The thesis proposes that it is firm size, transnational operations, and the concentration of sectors which are key determinants of how influence is exerted. First, however, there has to be the opportunity for influence.

8.2 Opportunities for Influence in the EU

Chapters 3 & 4 looked at the development of the EU and its political institutions. Milgrom and Roberts argue that the size of a central authority, whether it is within the context of a firm, or within the public sector, will affect the level of influence activity. The larger the central authority, the greater the level of influence activity this will generate. They reason that within any organisation, decision-making is dependent on having sufficient good information in order to ensure desirable outcomes (Milgrom & Roberts, 1992). In order to make 'good' decisions, decision-makers will often be dependent on others to provide this information, and this creates a dilemma (Miller, 1992). The dilemma is that information can be tailored to suit the requirements of the information giver, allowing the potential for influencing the outcome of decisions. Moreover, within the decision-making environment, the greater the uncertainty and more complex the factors involved in the decision, the greater the need for information (North, 1990).

Chapter three examines the development of the EU and its institutions against this logic. It shows that the development of EU political institutions, the enhancement of their power through various treaty provisions, and the growing body of European law has indeed created a new focus for influence activities. Prior to the formation of the ECSC, national government was the focus of centralised authority and decision-making powers (along with the Courts). It was therefore the focus of attempts at influence by interest groups. This has changed as development of the EU has created a new set of opportunities for influence as both the Road Freight and Pharmaceuticals studies show. This is regardless of differences in industry structure. National government still remains a key focus, but in many areas, it is no longer the final decision-making point. Instead national government may play the role of one of 15 different sets of national interests, all seeking to ensure favourable outcomes to EU decision-making. National government may still be lobbied, but it can also act as an 'interest group' in the broadest sense of the term within the context of the EU. It is no longer sufficient, therefore, for business interests to seek information from, and influence national government in order to manage the outcome of political decisions on the economic environment. They also need to seek information about, and influence, decisions being made by EU institutions.

Chapter three shows that the process of policy formulation and decision-making within the EU is complex. Policies are formulated by the Commission, and then go through many formal and sometimes informal consultation processes before they can be ratified. These processes involve other EU institutions, the Council of Ministers, the European Parliament, the Economic and Social Committee (ECOSOC), UNICE, Eurochambres

and more recently, the Committee of the Regions. They also involve negotiations with various interest groups, some of which may be handled through ECOSOC.

Policy formulation, and the decision-making process is served by a relatively small bureaucracy, despite popular misconceptions, and this is still in the early stages of evolution compared with national bureaucracies. This creates a high dependency on outside sources for information for EU decision-makers, particularly the Commission. Openness to contact from outside is therefore important, and is confirmed by the Commission's own statement of the policy on contact with outside interests *'The Commission has always been an institution open to outside input. The Commission believes this process to be fundamental to the development of its policies. This dialogue has proved invaluable to both the Commission and to interested outside parties. Commission officials acknowledge the need for such outside input and welcome it.'* (CEC (92) 2272).

The implication of this new political environment is that opportunities for influence are many. There are multiple points of access to decision-makers, and the scope of policy-making has been extended considerably since 1957. The preconditions for influence activity in the form of a central authority, complexity and uncertainty, are present in the characteristics of the EU and its political institutions.

Business response to the development of the EU confirms this logic. Chapter 4 shows that since the ratification of the Single European Act, there has been a considerable increase in lobbying activity (Mazey & Richardson, 1991, 1993a, 1993b, 1993c; Andersen & Eliassen, 1993). This marked a watershed in terms of lobbying activity directed towards the EU, and this response supports the logic outlined above.

The Single European Act generated nearly 300 pieces of legislation affecting Member States. These were aimed at the creation of a Single Market within the European Communities and were therefore of direct and obvious relevance to business interests. This major initiative amounted to a relaunch of the Community after many years of apparent stagnation, some of the symptoms of which are evident in the history of the Common Transport Policy. There was, however, another aspect to the Single European Act. The time taken to ratify each of the items of legislation was reduced. This was achieved by a key change to the decision-making process within the (then) EEC. The change involved the introduction of majority voting in the Council of Ministers on all Single Market issues. It removed the right of any one Member State to hold up proceeding by using a veto. It therefore increased the uncertainty of outcomes for individual national governments, and heightened the importance of the

intergovernmental bargaining process. For those business interests seeking to influence outcomes, solely relying on the support of national government, important though it is, would no longer guarantee an acceptable result.

Subsequently, a dense network of business interest groups has formed consisting of individual companies, national and European trade associations, national and European industry associations, and special interest groups. In addition, non-business interests have also moved to Brussels. There has been increasing activity by local authorities, environmental and social issues groups, which are sometimes rivals, and sometimes partners of business associations. Industry and trade associations at national and European level, special focus groups, companies, and professional lobbying firms have chosen to locate representatives in Brussels. As both the Road Freight and Pharmaceutical sector studies show however, the network of organisations which surrounds EU governmental agencies represent both complimentary and overlapping domains of interest. For example, national trade associations are present even where they have a European federation as representative, and all the Member States industry associations are present despite the presence of UNICE, with its status as an official consultation partner of the Commission.

The main target of lobbying, whether by individual companies, or collectively through the action of trade and industry associations is the Commission. This is irrespective of whether those interests are European or national associations, companies, or cross-sectoral groups like the European Round Table of Industrialists and AMCHAM. However, interviews from the Road Freight and Pharmaceutical sectors show that the European Parliament is becoming more important, and Road Freight at least shows how ECOSOC may also provide the potential for influence. Whether the 'interest' is an individual company, or represents a business group, the focus of lobbying and the way it is carried out is the same. As North points out, this is because political institutions define the 'rules of the game' for negotiation with interests (North, 1990; Lindberg, Campbell & Hollingsworth, 1991). An example of this is how responsibilities for policy formation seem to dictate the importance of cultivating contacts at more junior levels within the Commission bureaucracy (Gardner, 1991; Andersen, 1992).

8.3 Companies and the Costs and Benefits of Influence

Individual companies form part of the complex network of interests in Brussels, and can be direct participants in the policy-making process. The term 'interest' is not, therefore, synonymous with an association. Sector studies suggest that companies adopting the 'Brussels strategy', and in particular locating representatives in Brussels, are large, transnational firms with substantial resources at their disposal (McLaughlin,

1994; Greenwood & Ronit, 1992; Cawson, 1992). Within the Road Freight sector, which is dominated by small firms, the notable exception in terms of influence strategy is one of the largest, and arguably the only company with substantial transnational interests (P&O). This echoes the strategies of the large pharmaceutical companies. The complexities of these firms' operations suggest that issues may not align well with the interest boundaries of industry and trade associations. They are concerned with 'horizontal' issues which go beyond the narrow definition of their sector, to broader economic and social issues. The active interest of a wide range of large, transnational companies in road freight issues is an example of this (e.g. ICI, BP, GlaxoWellcome and Shell). Information about the political environment becomes more important to firms with transnational operations (Porter 1986; Bartlett & Ghoshal, 1992), therefore individual representation may provide a key *individual* benefit to this group. This is particularly the case in Pharmaceuticals where industry concentration may also fuel greater information requirements (Taggart, 1993). The presence of individual company lobbyists may also indicate the potential for other, firm specific, benefits from this activity. The concentration of the industry suggests there may be higher potential for rent-capture, and the high technology nature of the product for this sector may also present certain business opportunities, for example, research funding.

If the development of EU institutions, and their particular characteristics provide the preconditions for influence activity, the response of business interests provides evidence to support the proposition that the size, complexity of institutions, and uncertainty of decision-making processes generates influence activity. The 'lobbying explosion' accompanying the SEA represents an entirely logical response by business. However, a closer look at individual firms and sectors suggests these are not the only factors which will determine the shape of that response. The second part of the thesis proposes that the influence strategies of firms and the organisation of influence at sector level are shaped not only by political factors, but by firm and industry characteristics. Firm and industry characteristics are important because they determine the potential benefits of various strategies. For example, strategies which involve collective representation through associations, or those which involve individual representation through the appointment of public affairs specialists, or both (a multiple strategy). It is the potential benefit against which the cost of different strategies are weighed.

Companies within the fragmented Road Freight sector showed little evidence of individual lobbying activity. There is the potential for lobbying through the appointment of lobbyists or ex-bureaucrats to the Board of Directors, but there is little evidence of the appointment of public affairs specialists within the companies. This does not mean that companies never lobby decision-makers directly. There may well

be contacts with EU decision-makers by Board members from time to time. However, the sustained relationship-building afforded by a professional public affairs function, particularly if based in Brussels, is not a characteristic of this sector, and occurs in only one company, the largest, and arguably the only multinational firm within the sector. This is a significant exception as it is one of the larger organisations within the sample, therefore suggesting that firm size and transnational operations may override sector characteristics such as fragmentation.

The absence of lobbying activity does not mean however that companies within the sector do not exert influence on EU decision-makers, just that they do so through different means. For this sector the dominant strategy involves representation through trade associations, with national trade associations providing both the main source of information on EU policy development, in addition to providing representation. Cost is quoted as the main reason for this strategy. Membership fees for the trade associations in the Road Freight sector, are determined by a combination of turnover, number of vehicles, and local registration requirements for the Freight Transport Association, and a straightforward correlation with the number of vehicles for the Road Haulage Association. The fees range between £160 per annum to £22,000 per annum across the two organisations, with minimal difference between the two. This represents a cost-effective option compared with a minimum estimate of £100,000 per annum to locate a full time representative in Brussels (interview: 17). The membership figures for ABPI however, ranging between £14,000 and £180,000 offer a different equation at the higher end of the spectrum.

Despite the increasing power of EU institutions and the scope of legislative competence, road freight companies show little sign of re-thinking their influence strategy. So, despite the changing political environment, their approach to dealing with changes instigated by its decision-makers is still a predominantly passive one. They choose to review impending legislation, through information mostly supplied by the trade association and are chiefly concerned with adaptation or compliance using the sector association's advice. They leave policy monitoring and influencing to their trade association, and the research suggests most are not highly active in the affairs of their association. The exceptions are the firms with transnational interests, such as P&O.

It is not implied here that firms solely join trade associations in order to gain representation. However, given the potential benefits which may be gained from direct contact with decision-makers for the small, nationally focused firms, their response is logical. For the small firm, the benefits are likely to encompass: market stabilisation, enhancement or protection of the trading environment. There is therefore little incentive to bear the costs of direct lobbying if the potential benefits are *collective*,

when other may 'free-ride'. This is particularly the case in a competitive environment characterised by low profit margins and fierce competition. For these companies there is also very little information to trade with decision-makers. Operations are simple, the strategic significance of the *individual* firm is low. Therefore the bargaining strength of companies is low, and they are unlikely to be able to capitalise on this to influence decision-makers. The sector is not characterised by any direct company forums, again with one notable exception which occurs at national level rather than EU. This is a group of companies which acts as consultation partner to the Department of Transport on policies (including EU policies) relating to the transport of dangerous goods. This is a specialist area subsector of the industry. Here, individual firms may well possess informational advantage over trade associations as they have to employ specialist, technical skills to handle these operations.

Pharmaceutical companies present a very different picture. Key players such as GlaxoWellcome and SmithKline Beecham have public affairs specialists based in Brussels. This is despite strong collective representation at national and European level through the ABPI and EFPIA. Companies in this concentrated industry sector pursue multiple influence strategies, both supporting collective representatives, while ensuring they are building and maintaining individual contacts with EU institutions. Unlike road freight companies, they have responded to the development of EU institutions and policy competence not only with strong collective representation but with active strategies for self-representation. This includes a response to the increased threat of EU action on healthcare issues with the formulation of a direct company membership forum - 'Pharmaceutical Partners for Better Healthcare'.

Companies within this sector operate within an international market and there is a high concentration of large transnational firms with complex operations. Information about the political environment is important to such firms, as witnessed by the emergence of the government affairs function. The context is competitive advantage. The importance of information lies in both the ability to respond quickly to political events, and the ability to manage their impact on business operation. In relative terms the cost of direct representation in Brussels is comparatively low for these companies. There is also the potential for individual firm benefit from lobbying action: rent, and business opportunities. The growing concentration of this industry in recent years may also suggest that opportunities for rent capture are increasing, although such organisations need to ensure they do not fall foul of the EU's competition laws. The fifth Framework Programme for R&D which will come into effect at the end of 1998 has 17 programmes which make available grants for research totalling £10.6bn. Of these, two are programmes of direct concern to the pharmaceutical industry, Biotechnology, and Biomedicine and Health which total Ecu 946m or £1.1bn (*Financial Times*, 10.10.96).

The relative costs/benefit of individual representation for these firms suggests that however strong the collective 'voice' either at national or in this case the European context, firms will find it advantageous to go direct to EU decision-makers for a number of reasons. They will also find an open door as the possessors of information on the highly technical aspects of their products and operations in a key, strategic, economic sector.

8.4 Industry Structure & The Organisation of Influence

The organisation of collective interests at European level is varied. Studies of different sectors (Greenwood & Ronit, Cawson, McLaughlin) show that the organisation of interest has developed in different ways in response to changes in the EU. Although there has been a successive re-focusing of interests at European level, supporting aspects of neo-functionalist theory (Streeck & Schmitter, 1991, p.134), the formulation of those interests is not quite as anticipated. UNICE was formed in 1958, along with other bodies such as COPA. Sectoral interests followed later, with a noticeable increase in lobbying following the SEA. This pattern of interests is still evolving, for example, with the emerging presence of regional interests and environmental groups. However studies show a variety of patterns for business interest associations at different levels. These indicate that although structured in different ways, European associations often exist as part of a federated structure of national organisations. Pharmaceuticals, telecommunications, chemicals, motor manufacture, consumer electronics are examples. They all have national associations, which are then members of a European federation. Greenwood notes the emergence of direct company membership European associations in biotechnologies, and he may well be correct to infer that emerging high technology sectors could by-pass the more traditional national structures, because of their international focus and operations. However, despite the presence of large firms with transnational interests, and resources to fund their own lobbying, many sector studies seem to confirm that both associative action, and the 'federated' format is still important. This format (national associations as part of a European federation) may co-exist with other forms of association which involved direct company membership, but the national dimension is still important. They also confirm the importance of the 'sector' as a key focus for interest promotion *'Effectiveness through smaller and less inclusive associations is preferred to broad compromises and representativeness through peak associations, as many vital issues are so unique that they are completely irrelevant and unknown to firms outside the sector itself'* (Greenwood, 1992, p.244). This echoes not only Olson's arguments about the difficulties of achieving collective action where the interests of groups are heterogeneous, it also points to the importance of specialised sector knowledge in the

representational activities of associations. It also suggests a particularly strong position for the trade associations, which are likely to possess this knowledge.

Against this background, chapters 6 & 7 look at how company strategies translate into a pattern of influence at sector level, and in the process, highlights both similarities and differences in associative structures and influence strategies. The industry structure and competitive environment of the ethical pharmaceutical sector is marked by a high level of concentration, domination by large, multinational organisations with complex operations spanning a wide range of the product cycle from research and development through to sales and marketing (Taggart, 1993). This is a high technology sector and is strategically important in terms of the global competitiveness of EU industry. As a recent Council resolution on industrial policy in the sector notes: *'...the European pharmaceutical industry plays an essential role in public health, remains a high-technology industry with considerable added value, which is particularly successful, generates high skilled jobs and makes a significant contribution to the European Union's balance of trade'* (136/4, OJL C136, 1996). The competitive environment is characterised by product differentiation rather than price differentiation. Profit levels are high, even if the investment in research and development costs are also substantial. The contrast with road freight could not be more stark, with its relatively low technology, domination by small firms with simple operations, and with a largely national focus. While road freight provides an important infrastructure service to other industries, it is not a source of economic growth through technological innovation. Within the UK another difference is the regulation of the pharmaceutical industry, against the de-regulated environment of road freight. Although however, the pharmaceutical sector is subject to governmental controls on profit, both this, and the Road Freight sector are subject to many different areas of EU legislation as shown in earlier chapters.

In terms of influence strategies, the main similarity across the two sectors concerns the key role of the trade association in representing views to government both at a national and EU level. Representation at EU level is through well-established European federations linked to national organisations in Member States (see figure 12). Both the IRU for the Freight industry and EFPIA for Pharmaceuticals are key consultation partners of the Commission. Both these organisations are based in Brussels. Despite evidence of some tensions between national trade associations and their European counterparts, they form the focal point of organised interests for both sectors.

This mirrors arrangements at national level. Here the focal point is again the trade association, though in the case of Road Freight there are two national trade

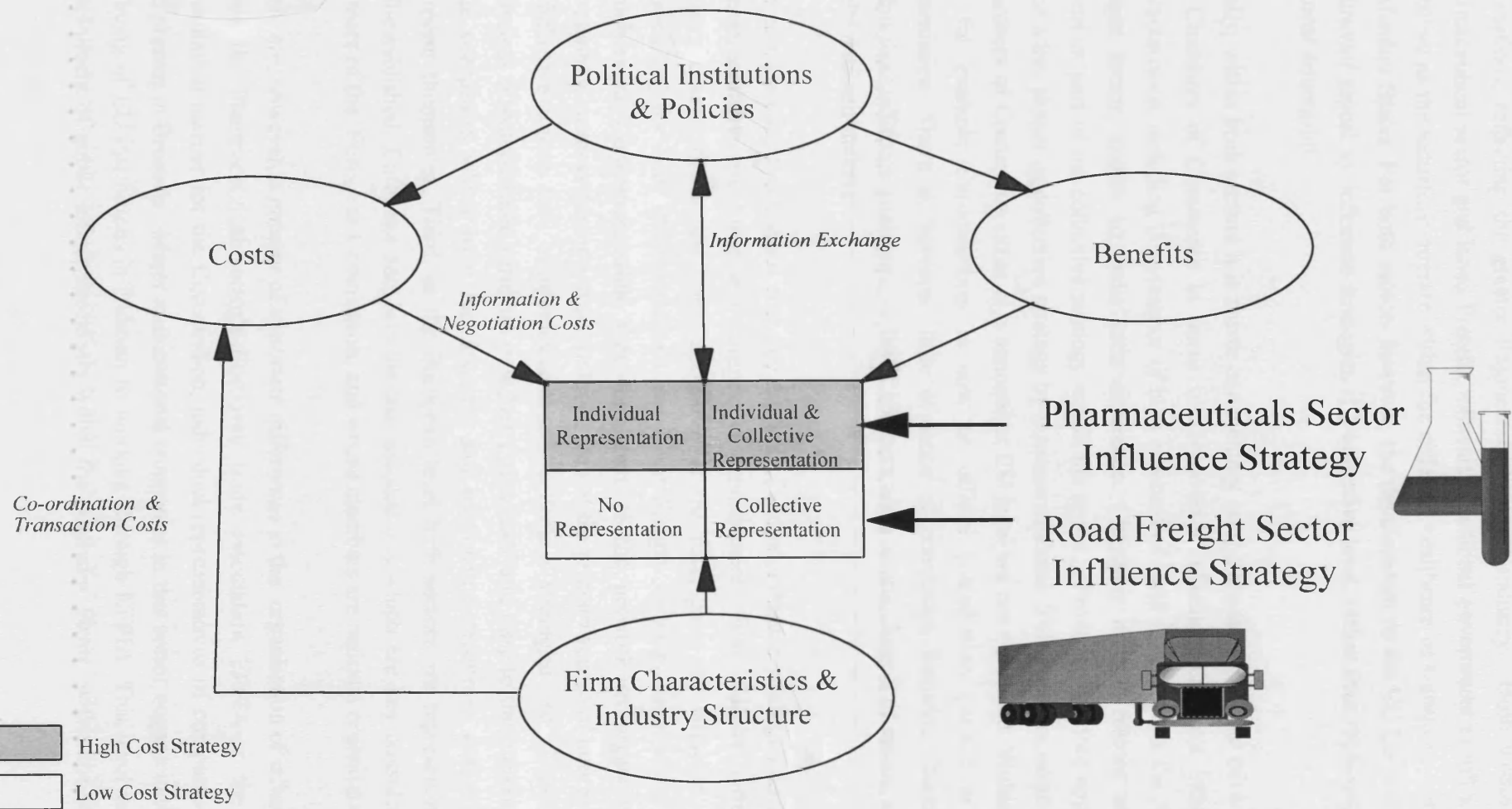


Figure 12 Dominant Influence Strategies in Pharmaceutical & Road Freight Sectors

associations, reflecting the greater fragmentation of the industry. Both within the Pharmaceutical sector and Road Freight, influencing national government is still a key objective as the industries operate within the differing healthcare or transport policies of Member States. For both sectors however, the development of the EU has added an *additional* aspect to influence strategies at a collective level, rather than replacing the national dimension.

Finally, within both sectors it is worth commenting on the apparent absence of a role for Chambers of Commerce in terms of sector-level influence. Different industry characteristics, including the presence of high numbers of small firms within the Road Freight sector, appear to make little difference. Chambers do not feature as an important part of the collective strategy within the sector. 'Product' therefore appears to be a key shaper of collective strategy by business interests. This does not mean that Chambers of Commerce either at a national or EU level are not consulted. Within the EU for example Eurochambres is now an official consultation partner of the Commission. There is, however, little evidence of companies featuring Chambers within their influence strategies, or that Chambers are a strong channel of sector views to EU decision-makers.

The above similarities suggest that key aspects of sector influence strategy transcend diverse industry structures and competitive environment. First, despite different industry characteristics, the trade association is the focal point for influence (and information) for both Pharmaceuticals and Road Freight. Industry associations and Chambers of Commerce, while they form part of the network of organisations representing business interests at sector level, are not the primary source of information or influence routes for companies. Second, collective strategies are important, regardless of considerable variation in industry structure, and despite the presence of large companies which have the financial and information resources available to represent themselves. Third, at the European level both sectors are represented by well-established European and International associations which are key consultation partners of the European Commission, and whose members are national organisations.

There are, however, a number of important differences in the organisation of influence. While the Pharmaceutical sector's European trade association EFPIA is the key consultation partner for the Commission, individual representatives of companies are also present in Brussels. Major multinational companies in this sector engage in direct lobbying of EU institutions in addition to working through EFPIA. This involves the appointment of public affairs specialists within the company. Firms within the sector

may therefore not only seek to influence through the trade association, but as an individual company, pursuing *multiple strategies* (see fig 13).

A second key difference between the two sectors is that within the UK the national Association of the British Pharmaceutical Industry (ABPI) is the key consultation partner. Within the Road Freight sector however, key consultation is split across two organisations, the Freight Transport Association (FTA) and the Road Haulage Association (RHA). Both the FTA and RHA have large numbers of small firms within their membership. The FTA is, however, differentiated by the presence of some large multinational firms within the membership, whose core activities lie in other sectors, but which have substantial interest in road freight issues.

A third area of difference concerns the influence strategy of trade associations. The FTA now has a representative in Brussels, despite IRU membership and close formal and informal links between itself and the IRU. The RHA is also represented within the IRU and yet this association has also chosen to develop its Brussels network, albeit in a slightly different way. This is through the CBI's British Business Bureau. In summary, therefore, the strong role of the European trade association in Pharmaceuticals is supplemented, and potentially challenged, by the presence of company lobbying activities in Brussels. Within Road Freight the potential challenge to the European Trade Association comes from the presence of national association interests. These differences show how issues are framed within a *national context* for firms within Road Freight. By contrast, issues are framed within a *transnational industry context* for the Pharmaceutical sector.

A fourth area of difference occurs in terms of links with industry organisations. The predominance of national issues within Road Freight, finds a parallel with the concerns of the UK industry association, the CBI. As chapter 5 shows there are close links between the FTA, RHA and the CBI. For example, the FTA takes the transport seat for the UK within UNICE. Such linkages are not present within the Pharmaceuticals sector. The European trade association, EFPIA has an influential negotiating position with the Commission. While the IRU also acts as primary consultation partner to the Commission in Road Freight however, both the FTA and more recently the RHA are becoming more active participants in negotiation through establishing a presence in Brussels. This presence of national as well as European interest groups contrasts with Pharmaceuticals which is characterised by the presence of *individual firms*, in addition to European collective interests. Any challenge to the negotiating mandate of EFPIA comes not from national collective interests but from companies. Given the potential costs and benefits of investment in direct lobbying for large firms within this sector,

this is not surprising. The question is whether the Freight Transport Association would have a Brussels representative if solely concerned with road freight rather than encompassing the wider interests of its multinational member companies. The answer is that it would probably find it difficult to justify such expenditure to its members, rather like the Road Haulage Association.

8.5 Conclusion: Influence Strategies, Lobbying & Information

In conclusion, the earlier chapters of the thesis argued that the opportunities for influence were created as a result of the information needs which are linked to decision-making processes. Uncertainty and complexity are key factors which determine the level of influence activity surrounding that decision-making, as they generate the need for information, and increase the importance of its acquisition.

On this basis, the growing decision-making ability of EU institutions and the complexity and uncertainty surrounding their decision-making processes provide the circumstances for an increase in influence activity. The evidence is that the ratification of the Single European Act was the trigger for a substantial increase in lobbying activity in 'Brussels'. However, subsequent chapters show that patterns of behaviour at firm level are not uniform. Companies do not suddenly invest in lobbying activity. This is as true for the EU environment as it is in a national context. There is also some evidence from the UK Road Freight and Pharmaceutical sector studies that preference for particular strategies in the EU mirror those in the national context.

The first level of analysis therefore provides the rationale for the overall increase in influence activity. However, a closer examination of the network of business interests that is developing around EU institutions raises a number of issues about how that influence is organised. In particular the range of interests groups, or what McLaughlin calls 'policy participants' which have emerged in Brussels (McLaughlin, 1993). These include individual firms, professional lobbying organisations, national trade and industry associations in addition to their European counterparts. A key question is why some firms have invested in own lobbying capability even when they benefit from strong collective representation at European level.

The analysis of the Pharmaceuticals and Road Freight sectors shows a number of similarities and differences at both company and association level. In both cases the preference of EU decision-makers is for consultation with European collective interests. For both sectors there are long-established, professionally-run European trade associations. Despite this however, within the Pharmaceuticals industry major

UK firms maintain their own lobbying capability in addition to supporting a strong European Trade association. Direct access to decision-makers is important for these organisations. This is not the case in Road Freight where firms see little cost benefit in this investment. However, one of the national trade associations (the FTA) has chosen to establish a base in Brussels. Here, representation via a European trade association is not sufficient, despite the clear preference by decision-makers for a pan-European consultation partner.

The reason for this investment by the FTA is the access to information this gives the association, and the speed of that access. Its strategy is also the result of pressure from its membership, in particular pressure from multinational organisations. These do not have road freight as a core activity, but have vested interests in this industry as part of their complex operations.

In both the case of the individual firm, or association, access to information is a key benefit of direct contact with EU decision-makers. This is not necessarily formal information in terms of 'policy proposals', but information which becomes available as a result of sustained contact with decision-makers, and other groups which form the network of organisations surrounding EU institutions. Information is key to successful influencing. This is important for road freight at a national level, but more particularly for individual companies within the pharmaceutical sector whose interests include, but also transcend national boundaries.

As chapter 2 identified, this information comes at a cost. Interviews with a sample of multinational companies in the early stages of this research show that despite the undoubted ability to fund individual lobbying, even the largest firms deliberate over expenditure on such activities. For firms within the Pharmaceuticals sector this expenditure not only provides access to information, when it is a benefit in its own right for firms with complex, capital intensive operations, and where competitive advantage can result from both innovation in product and fine-tuning of the operations necessary for production. It also provides the means for the capture of other possible benefits, such as business opportunities, or rent. These are not relevant to smaller firms in non-strategic sectors. For firms within the Road Freight sector, the benefits are likely to be collective: protection or enhancement of the trading environment or market stabilisation. These benefits are aligned with national interests due to the integral part road freight plays as part of national transport infrastructure.

The influence strategies of firms within each sector reflect the balance between the costs of the influence strategy and the available benefits which can be captured. For

pharmaceuticals, potential benefits are both individual and collective. The sector is characterised by the presence of firms for which multiple routes using both direct company access to EU decision-makers, as well as support for strong collective action through the European Trade Association provide the opportunity for individual and collective benefits. Within Road Freight, firm and sector characteristics dictate that benefits are likely to be collective and therefore firm influence strategies are focused on collective action.

Finally, whichever strategy is employed by firms or their collective representatives, the rules of the lobbying game are the same: the need for a presence in Brussels to establish informal networks of contacts; the importance of working with various levels of official; the Commission as the main target of activity; the increasing importance of the European Parliament. The 'rules of the game' are determined by the political institutions themselves. Within the EU, a key feature is the openness to contact by officials, despite increasing pressures on their time as a result of expanding workloads. Whether this will continue is uncertain. Some commentators have suggested that increasing scope of activities will result in changes where for example certain 'inner circles' of key contacts are forming which will exclude later arrivals on the lobbying circuit.

Practical necessity means that it is in the interests of officials to try and stabilise (and minimise) consultation processes and contacts. However, while their decision-making continues to relate to complex cross-national issues, the information needs associated with decision-making are likely to remain high. As such, the arguments presented here suggest that those organisations, whether they are individual firms or interest groups, which can provide the best information which will assist with that process are always likely to find an open door. For a sector like pharmaceuticals, the centre of expertise and knowledge is *primarily* the firm, and *secondly* the trade association. For Road Freight, the available knowledge and expertise resides *primarily* with the trade association (particularly the national associations) and *secondly* with individual firms, where that knowledge and expertise may vary enormously between large and small firms. Despite, therefore, clear statements of 'official consultation partners' by the Commission, both large firms within the pharmaceuticals sector, and national trade associations within Road Freight are likely to continue to capitalise on the opportunities for influence to which their knowledge and expertise given them access. By implication this means that European sector federations are never likely to have the field to themselves. Similarly, UNICE will continue to operate alongside national industry associations such as the CBI. Despite formal consultation policies of Commission directorates, other interests will continue to exist alongside these Euro-groups, representing national sector or cross-sectoral organisations, or individual firms,

depending on both the information they can trade as a result of information asymmetries, and the potential benefits which follow from establishing a presence in Brussels.

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COM (90) 283 'Laying down Community procedures for the authorisation and supervision of medicinal products for human and veterinary use and establishing a European Agency for the evaluation of medicinal products'

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Treaty on European Union, 1992

Appendix: 1 List of Interviews

| CODE | ORGANISATION | INTERVIEWEE | POSITION IN ORGANISATION |
|--|--|-------------------|-------------------------------|
| Preliminary | | | |
| 1 | Glaxo Pharmaceuticals UK Ltd | John Cook | Industry Affairs Manager |
| 2 | Rank Xerox International Ltd | Howard Papworth | Industry Affairs Manager |
| 3 | International Computers (ICL) Ltd | George Hall | Corporate Affairs Manager |
| 4 | British Oxygen Co. (BOC) Ltd | Richard Bungey | European Development Director |
| 5 | Dartford Securities Ltd | Ivan Kingston | Director |
| 6 | Marks & Spencer plc | Trevor Evans | Corporate Affairs Executive |
| Road Freight and Pharmaceutical Companies | | | |
| 7 | Sterling Winthrop Health Ltd | Victor Ripley | Corporate Affairs Manager |
| 8 | National Freight Corporation | Ivy Penman | Marketing Manager |
| 9 | P&O | Rod Burns | Marketing Manager |
| 10 | Denby | Peter Denby | Director |
| 11 | Laser | Nick Charlesworth | General Manager |
| 12 | BOC | Richard Bungey | European Development Director |
| 13 | Hays Specialist Distribution | John O'Hagan | Managing Director |
| 14 | Christian Salvensen Ltd | Ken Allison | Managing Director |
| 15 | Barber Road Services | John Barber | Director |
| 16 | Glaxo Pharmaceuticals UK Ltd | John Cook | Industry Affairs Manager |
| Interest Groups | | | |
| 17 | Freight Transport Association | John Gutteridge | Public Relation Director |
| 18 | " " " | Martin Richards | Director FTA Brussels |
| 19 | Road Haulage Association | Sydney Bagnall | Public Relations Director |
| 20 | Association of the British Pharmaceutical Industry | Tony Willis | European Affairs Advisor |
| 21 | Confederation of British Industry | Richard Eberle | Director CBI Group Brussels |
| 22 | " " " | Michael Roberts | Transport Policy Advisor |
| 23 | " " " | Karen Phillips | Policy Advisor, EC Affairs |
| 24 | International Road Haulage Union | Winfried Rockmann | Director |
| 25 | Association of British Chambers of Commerce | Richard Brown | Assistant Director |
| 26 | Eurochambers | George Dumbell | Director |
| Policy-Makers | | | |
| 27 | UK Department of Transport | James Fells | Head of Department |
| 28 | UK Department of Health | Jonathan Mogford | Principal |
| 29 | UKREP | Francis Morgan | Second Secretary |
| 30 | UKREP (Brussels) | Nick Denton | First Secretary |
| 31 | EU Commission DGVII | Keith Crawford | A Grade |
| 32 | EU Commission DGVII | Dirk Van Vreckem | A Grade |
| 33 | EU Commission DGVII | Robert Missen | B Grade |
| 34 | EU Commission DGXI | Pat Murphy | B Grade |
| 35 | European Parliament | Mark Watts | MEP |

Appendix 2: Road Freight Company Interviews

I.COMPANY DETAILS

1. What is the Company's (and Group) turnover?
2. How many people are employed by the Company (and Group)?
3. Is the Company:-
Public (plc)
Private (Ltd)
Subsidiary
Holding
4. If a subsidiary or holding company, what are the other companies in the group, what are their activities and what is their % of overall business within the Group?
5. What is the Board structure?
Chairman
Chief Executive
M.D.
Deputy M.D.
Executive Director
Non Executive Director
Other
6. Which Business Functions are Represented at Board Level?
Operations
International Operations
Personnel
Finance
Marketing & PR
Information Technology
Research
Legal
Other

7. Board Member Nationality

UK Nationals only

UK & European Nationals

UK & International

8. Where is the Group and Company Board located?

9. What are the Company's products or Services?

General Haulage

Agriculture/Farming/Fishing

Construction/Building

Retailing/Warehousing

Manufacturing

Engineering

Scrap Metals

Mining and Quarrying

Vehicle Rental

Local Govt/Public Utilities

Chemicals/Petroleum

Banking/Finance

Parcels and Documents

Other

10. What % of the Company's operations are: UK, European, or International?

11. Does the Company have bases in other Countries? If so, what are they?

II. EU POLICY

12. Which of the following EU policy initiatives linked to the Internal Market programme have had significant implications for the company's operation and how would you prioritise these in terms of importance to your business?

Cabotage

Customs and Border Controls

Taxation

Vehicle Weights

Drivers Hours

Other

13. Which of these issues have caused the Company to lobby or represent its views to EU institutions, National Government, or to encourage action by intermediary organisations?
14. Is the Company's current approach to handling EU issues the result of a conscious decision or review process, or has this developed over a period of time?
15. Describe how you have arrived at your current approach?

III. INFORMATION

16. What are your sources of information about EU policy?

EU Publications

Commission Contacts (Directorates)

Parliamentary Contacts (MEPs)

National Government Publications

National Government Contacts

National Parliamentary Contacts (MPs)

Regional Government Publications

Regional Government Contacts

CBI Brussels

CBI London

CBI Regional

Chambers of Commerce National

Chambers of Commerce Local

Freight Transport Association

Road Haulage Association

International Road Haulage Union

Other Member State industry confederation

Other Member State trade association

Other Member State chambers of commerce

Other companies same sector

Other companies different sector

Professional Law/ Accountancy/Lobbying Firms

Professional Institutions

Universities

Press

Other

17. Are Company personnel represented at any consultative forums on European policy issues which link to the following organisations?

European Commission

European Parliament (MEPs)

Economic & Social Committee

Committee of the Regions

National Ministries

UK Parliament (MPs)

UNICE

CBI

Eurochambres

ABCC

Chambers of Commerce

FTA

RHA

IRU

Cross Sector National Group

Cross Sector European or International Group

Other

18. Who represents the Company at these Forums?

19. Why were these individuals selected?

IV. APPROACH

20. Who is involved in reviewing and assessing the potential threats or opportunities presented by EU policy initiatives on the Company? Who provides the first review mechanism and who is involved in a secondary role?

Chairman

Board

Managing Director
 Specific Other Director
 Senior Manager
 Specialist Legal Advisor
 Specialist Sector Advisor
 Public Affairs or Government Affairs Representative
 Other

21. Within the Company, who decides how representation needs to be made to Brussels either directly, or indirectly through national government or trade associations or other bodies?

Chairman
 Board
 Managing Director
 Specific Director
 Senior Manager
 Specialist Legal Advisor
 Specialist Sector Advisor
 Public Affairs or Governmental Affairs Representative
 Other

22. Have members of the Board had direct contact with EU decision makers over particular issues and if so which ones?

None
 Cabotage
 Customs and Border Controls
 Taxation
 Vehicle Weights
 Drivers Hours
 Other (specify)

V. STRATEGIES

23. How does the Company influence EU policies, i.e. which governmental or intermediary organisations does it approach?

Direct to EU Commission
 Direct to EU Council (UKREP)
 Direct to EU Parliament (MEPs)
 Direct to the Economic and Social Committee
 Direct to the Committee of the Regions
 Through National Government Departments
 Through the UK Parliament (MPs)
 Through the Scottish Office
 Through the Welsh Development Agency
 Through the CBI London
 CBI Brussels Office
 CBI Brussels British Business Bureau
 Through the National Association of Chambers of Commerce
 Through a Local Association of Chamber of Commerce
 Through the FTA
 Through the RHA
 Through the IRU
 With Other Companies - Same Sector
 With Other Companies - Other Sector
 Through a Professional Lobbying Firm
 Other

24. Which are currently the three most important in order of priority?

VI. REASONS

25. Which of the following factors have influenced your current approach to representation?

External Factors

Degree of Threat

Degree of Commercial Opportunity

presented by EU policies

Familiarity with EU institutions

& decision makers

Lack of familiarity with EU institutions

& decision makers

High degree of effectiveness of
national government representation
to the EU

Low degree of effectiveness of national
government representation to the EU

High degree of effectiveness of
business lobbying through intermediary
organisations (Trade & CBI)

Low degree of effectiveness of
business lobbying organisations

(Trade & CBI)

Other

Internal Factors

Image the Company seeks to project externally

Image the Company seeks to project internally

Background and attitudes of Board members

Organisation structure

Investment Plans

Cost implications

Other

26. Give examples of how these factors have influenced your approach on particular issues.

V.CHANGES

27. Has the frequency of contact with the following increased, decreased, or remained the same since 1986?

Government Agencies

Commission

Parliament (MEPs)

European Court of Justice

ECOSOC

Committee of the Regions

Other UK or European Bodies (Specify)

National Ministries

UK Parliament (MPs)

Trade & Industry Associations

UNICE

CBI

IRU

FTA

RHA

Eurochambres

UK Association of Chambers of Commerce

UK Local Chambers of Commerce

Other European Trade Associations

Other European Chambers of Commerce

Other European Industry Associations

Other

28. Has Company response to EU policy-making changed in respect of the amount of resource committed to the following since 1986:

Gathering Information

Impact Assessment

Representing Company views

External Tendering

Other

29. If the amount of resource has increased, where has this increase been primarily focused and by how much?

Chairman

Directors

Senior Managers

Specialist Legal Advisers

Specialist Sector Advisers

Internal Public Affairs Specialists

External Public Affairs Specialists

Other

VII. SPECIFIC ISSUES

30. Of the individual issues linked to the Internal Market you identified earlier as priority issues, taking each one individually:
- Cabotage
 - Customs and Border Controls
 - Taxation
 - Vehicle Weights
 - Drivers Hours
 - Environment
 - Other
31. Was the Company involved in any lobbying regarding these issues?
32. What threats or opportunities did this pose for the Company?
33. How did the Company go about representing its views and which governmental or other agencies were approached?
34. What implications do you see for the Company in terms of EU environmental policy that may impact your business within the next 5 years?
35. Will these necessitate a change in the current approach to representing your views to Brussels, or those who represent your views?

Appendix 3: Pharmaceutical Company Interviews

I. COMPANY DETAILS

1. What is the Company (and Group) turnover?
2. How many people are employed by the Company (and Group)?
3. Is the Company:-
Public (plc)
Private (Ltd)
Subsidiary
Holding
4. If a subsidiary or holding company, what are the other companies in the group, what are their activities and what is their % of overall business within the Group?
5. What are the Company's products or Services?

Ethical
Generic
Biotechnology
Other
6. What % of the Company's operations are: UK, European, or International?
7. Does the Company have bases in other Countries? If so, what are they?

II. EU POLICY

8. What is the Company's current approach to handling EU issues the result of a conscious decision or review process, or has this developed over a period of time?

III. INFORMATION

9. What are your sources of information about EU policy?

EU Publications

Commission Contacts (Directorates)

Parliamentary Contacts (MEPs)

National Government Publications

National Government Contacts

National Parliamentary Contacts (MPs)

Regional Government Publications

Regional Government Contacts

CBI Brussels

CBI London

CBI Regional

Chambers of Commerce National

Chambers of Commerce Local

ABPI

PAGB

EFPIA

Other

Other Member State industry confederation

Other Member State trade association

Other Member State chambers of commerce

Other companies same sector

Other companies different sector

Professional Law/ Accountancy/Lobbying Firms

Professional Institutions

Universities

Press

Other

10. Are Company personnel represented at any consultative forums on European policy issues which link to the following organisations?

European Commission

European Parliament (MEPs)

Economic & Social Committee

Committee of the Regions

National Ministries

UK Parliament (MPs)

UNICE

CBI

Eurochambres

ABCC

Chambers of Commerce

EFPIA

ABPI

PAGB

Cross Sector National Group

Cross Sector European or International Group

Other

11. Who represents the Company at these Forums?

IV. APPROACH

12. Who is involved in reviewing and assessing the potential threats or opportunities presented by EU policy initiatives on the Company? Who provides the first review mechanism and who is involved in a secondary role?

Chairman

Board

Managing Director

Specific Other Director

Senior Manager

Specialist Legal Advisor

Specialist Sector Advisor

Public Affairs or Government Affairs Representative

Other

13. Within the Company, who decides how representation needs to be made to Brussels either directly, or indirectly through national government or trade associations or other bodies?

Chairman

Board

Managing Director

Specific Director

Senior Manager

Specialist Legal Advisor

Specialist Sector Advisor

Public Affairs or Governmental Affairs Representative

Other

24. Have members of the Board had direct contact with EU decision makers over particular issues and if so which ones?

Patent Protection

Marketing Authorisation

Transparency & Pricing

Packaging & Information

Environment

Other

V. STRATEGIES

15. How does the Company influence EU policies, i.e. which governmental or intermediary organisations does it approach?

Direct to EU Commission

Direct to EU Council (UKREP)

Direct to EU Parliament (MEPs)

Direct to the Economic and Social Committee

Direct to the Committee of the Regions

Through National Government Departments

Through the UK Parliament (MPs)

Through the CBI London

CBI Brussels Office

CBI Brussels British Business Bureau

Through the National Association of Chambers of Commerce

Through a Local Association of Chamber of Commerce

Through EFPIA

Through ABPI

Through the PAGB

With Other Companies - Same Sector

With Other Companies - Other Sector

Through a Professional Lobbying Firm

Other

16. Which are currently the three most important in order of priority?

VI. REASONS

17. Which of the following factors have influenced your current approach to representation?

External Factors

Degree of Threat

Degree of Commercial Opportunity
presented by EU policies

Familiarity with EU institutions
& decision makers

Lack of familiarity with EU institutions
& decision makers

High degree of effectiveness of
national government representation
to the EU

Low degree of effectiveness of national
government representation to the EU

High degree of effectiveness of
business lobbying through intermediary
organisations (Trade & CBI)

Low degree of effectiveness of
business lobbying organisations
(Trade & CBI)

Other

Internal Factors

Image the Company seeks to project externally

Image the Company seeks to project internally

Background and attitudes of Board members

Organisation structure

Investment Plans

Cost implications

Other

17. Give examples of how these factors have influenced your approach on particular issues.

V.CHANGES

18. Has the frequency of contact with the following increased, decreased, or remained the same since 1986?

Government Agencies

Commission

Parliament (MEPs)

European Court of Justice

ECOSOC

Committee of the Regions

Other UK or European Bodies (Specify)

National Ministries

UK Parliament (MPs)

Trade & Industry Associations

UNICE

CBI

EFPIA

ABPI

PAGB

Eurochambres

UK Association of Chambers of Commerce

UK Local Chambers of Commerce

Other European Trade Associations

Other European Chambers of Commerce

Other European Industry Associations

Other

19. Has Company response to EU policy-making changed in respect of the amount of resource committed to the following since 1986:

Gathering Information

Impact Assessment

Representing Company views

External Tendering

Other

20. If the amount of resource has increased, where has this increase been primarily focused and by how much?

Chairman

Directors

Senior Managers

Specialist Legal Advisers

Specialist Sector Advisers

Internal Public Affairs Specialists

External Public Affairs Specialists

Other

Appendix 4: National Trade Association Interviews (FTA, RHA, ABPI)

I. ORGANISATION DETAILS

1. What is the Association's current membership number?
2. What is the size profile of member companies?
3. Which business sectors are represented?
4. What is the Association's management structure?
5. Is there a regional structure? If yes, what is this structure?
6. What is the structure of fees for members?

II. ORGANISATION RESOURCE

6. What is the total amount of paid resource committed to lobbying or representing the organisations views on EU matters ?
7. What is the estimated total FTE of your organisation excluding voluntary membership and total cost associated with this?
8. Does the organisation have a Brussels based lobbyist?
9. If yes, how and why was this individual selected?
10. Has the total amount of resource committed to this activity increased, decreased or remained the same since 1986?
11. If it has increased or decreased by how much ?
12. What restructuring, if any, has occurred within the association to accommodate representation of views on EU issues since 1986?

IV. INFLUENCE STRATEGIES & LOBBYING ACTIVITY

13. Which of the following agencies do you target when lobbying about European policy issues?

European

Commission

European Parliament (MEPs)

Council of Ministers

European Court of Justice

Economic and Social Committee

Committee of the Regions

Other European Agencies

National

Ministries

Parliament (MPs)

Other national agencies

14. Which institution or institutions are most frequently targeted? (specify)
15. On any specific lobbying issue do you target more than one institution?
16. If you have contact with the national representatives on Council of Ministers, who are your main points of contact?
17. How often do you meet with Council representatives i.e. ministers, and UKREP?
18. If you have contact with the Commission, which directorates do you have contact with?
19. Which are the priority contacts within the Commission?
20. Has the number of directorates you have contact with increased since 1986 and if so which ones account for the increase?
21. Which level of official do you have contact with within the Commission?
22. Which level is your most frequent contact?
23. What is your reason for targeting particular levels?
24. How frequent is your contact with Commission officials?
25. Which MEPs do you have contact with and why?
26. How frequent is your contact with MEPs?
27. Do you have contact with any of the following organisations as part of your lobbying activity?

CBI London

CBI Brussels Office

CBI British Business Bureau

UK National Assoc. Chambers of Commerce

Eurochambres

FTA

RHA

IRU

EFPIA

ABPI

PAGB

Other Companies - Freight Sector

Other Companies - Pharmaceutical Sector

Other Companies - Other Sector

Professional Law/ Accountancy/Lobbying Firm

Other

23. Which committees, either national or European are you a member of, and which institutions are these linked to (e.g. Ministries, Parliament or Commission)?
24. Who else is represented on these forums?
25. What informal networks exist that you use to monitor EU policy and exert influence, for example with other industry sectors that may be affected by EU policy-making?
26. What liaison do you have with non-business agencies, for example, BEUC?
27. Do you combine efforts with equivalent Member States associations when lobbying the EU?
28. How has your current approach to influencing the EU evolved?

Appendix 5: European Trade Association Interview (IRU)

I. ORGANISATION DETAILS

1. What is the current membership numbers & country coverage
2. What is the current management structure?

II. ORGANISATION RESOURCE

3. What is the total amount of resource committed to lobbying or representing the organisations views on EU matters per year?
4. Has the total amount of resource committed to this activity increased, decreased or remained the same since 1986? If so, by how much?
5. What restructuring, if any, has occurred within the association to accommodate representation of views on EU issues since 1986?

III. INFLUENCE STRATEGIES & LOBBYING ACTIVITIES

6. Which of the following agencies do you target when lobbying about European policy issues?

Commission

European Parliament (MEPs)

Council of Ministers

European Court of Justice

National Ministries

UK Parliament (MPs)

Economic and Social Committee

Committee of the Regions

Other

10. Which institution or institutions are most frequently targeted?
11. On any specific lobbying issue do you target more than one institution?

12. If you have contact with the national representatives on Council of Ministers, who are your main points of contact?
13. How often to you meet with Council representatives i.e ministers or UKREP?
14. If you have contact with the Commission, which directorates do you have contact with?
15. Has the number of directorates you have contact with increased since 1986 and if so which ones account for the increase?
16. Which level of official within the Commission is your most frequent level of contact?
17. What is the reason for your approach?
18. How frequent is your contact with Commission officials?
19. Which MEPs do you have contact with and why ?
20. How frequent is your contact with MEPs?
21. Which committees, either national or European is the organisation represented at?
22. Who else is represented on these forums?
23. What informal networks exist that you use to monitor EU policy and exert influence, for example with other industry sectors that may be affected by EU policy-making in the transport sector?
24. Do you liaise with any non-business organisations regarding EU issues, for example, BEUC?
25. How often do you seek company views directly on policy issues?
26. If you are seeking company views directly, which companies do you contact?

IV. SPECIFIC ISSUES

27. What involvement has the association had in issues relating to the following EU policies?

Cabotage
Customs & Border
Vehicle Weights
Taxation
Drivers Hours

28. What approach did the organisation take to influence activities related to these issues?
 29. What key issues do environmental concerns raise for the road freight sector?
 30. Who are the key actors involved in discussions about transport and environmental issues in the EU context?
 31. Will your influence strategy for dealing with environmental issues differ from those adopted for Single Market issues, and if so, how?
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Appendix 6: Industry Association Interviews (CBI, ABCC, Eurochambres)

I. ORGANISATION DETAILS

1. What are the association's current membership numbers?
2. What committees or other forums exist within the organisation for the review and discussion of EU policy issues and their implications ?

- a)For Road Freight
- b)For Pharmaceuticals

II. ORGANISATION RESOURCE

3. What is the total amount of resource committed to lobbying or representing the organisations views on EU matters per year?
4. Does the organisation have a Brussels based lobbyist or lobbying team?
5. How much resource committed to this activity?

- a)For Freight Transport
- b)For Pharmaceuticals

6. What restructuring, if any, has occurred within the association to accommodate representation of views on EU issues since 1986?
7. How has this affected the handling of transport/ pharmaceutical issues within the organisation?

III. INFLUENCE STRATEGIES & LOBBYING ACTIVITIES

8. Which of the following agencies do you target when lobbying about European transport policy ?

Commission
Council of Ministers
European Parliament
European Court of Justice
ECOSOC
Committee of the Regions
Other European Agency

National Ministries
UK Parliament

Other National Agency

9. Has the amount of activity increased, decreased or remained the same since 1986?
10. Which institution or institutions are most frequently targeted?
11. On any specific lobbying issue do you target more than one institution?
12. Who are your main points of contact within the Council of Ministers, who are your main points of contact?
13. How often do you meet with Council representatives i.e. ministers, and UKREP?
14. Which directorates within the Commission do you have contact with?
15. Has the number of directorates you have contact with increased since 1986 and if so which ones account for the increase?

a) Freight transport

b) Pharmaceuticals

16. Which officials do you have contact with within the directorates?
17. Which is your usual (most frequent) level of contact?
18. What is the reason for your approach?
19. How frequent is your contact with Commission officials?
20. Which MEPs do you have contact with?
21. How frequent is your contact with MEPs?
22. Do you have contact with any of the following organisations as part of your lobbying activity?

CBI London

CBI Brussels Office

CBI Brussels Bureau

UK National Assoc. Chambers of Commerce

European Assoc. Chambers of Commerce

UK Trade Associations Road Freight

European Trade Associations Road Freight

UK Trade Associations Pharmaceuticals

European Trade Associations Pharmaceuticals

Other

23. If there has been an increase or decrease are these related these to specific issues? If yes, specify which.
24. Which Committees, either national or European are you a member of, and which institutions are these linked to (e.g. Ministries, Parliament or Commission)?
25. Who else is represented on these forums?
26. What informal networks exist that you use to monitor EU policy and exert influence, for example with other industry sectors that may be affected by EU policy making in the transport pharmaceutical sectors?
27. Do you liaise with any non-business organisations regarding EU issues, for example BEUC?
28. Do you liaise with other Member states industry associations when lobbying EU institutions?
31. Will the association's influence strategy for environmental issues remain the same as that adopted for Single Market issues?

Appendix 7: UK Department of Transport Interview

I. DEPARTMENT STRUCTURE

1. What is the department's structure?

II. EU POLICY

2. How is the development of European policy issues monitored ?
3. Have there been changes in the way EU policy is monitored since 1986?
If so, what are these changes?
4. Has monitoring activity increased, decreased or remained the same since 1986?
5. How are policy responses co-ordinated?
6. What Committees involving Business interests have been established?
7. What involvement does the Department have in Council Meetings?
8. Who attends these? (numbers and level)
9. How does the department's work relate to that of UKREP?
10. What contacts does the department have with the Commission?
11. Which directorates does the department have contact with?
12. Has contact with the Commission increased, decreased, or remained the same since 1986?
13. What contacts does the department have with the European Parliament?
14. Have contacts with Parliament increased, decreased or remained the same since 1986?
15. What direct contact does the department have with representatives of the two committees (ECOSOC and ComReg)?
16. Has contact with the Committees increased decreased or remained the same since 1986?
17. What is the role of the European Secretariat of the Cabinet and how does the department relate to this in terms of EU issues?
18. What is the role of the ECMT and how does its work relate to the formation of EU policy?

III. CONSULTATION WITH BUSINESS INTERESTS

20. How is consultation with business interests organised?

21. Does this involve:

Freight Companies
 Pharmaceutical Companies
 Other sector companies
 FTA
 RHA
 IRU
 ABCC
 Eurochambres
 CBI
 UNICE
 Other

21. Which are the priority contacts ?

22. Have contacts with any of these organisations increased since 1986?
 If yes, specify organisations.

23. In terms of overall contact levels, what percentage are initiated by the department, and what percentage initiated by business or business representative organisations?

24. Has the amount of business initiated contact increased decreased or remained the same since 1986?

25. If it has increased, where has this increase been focused?

26. Which issues linked to EU policy have caused the most negotiation with business interests (in order of priority)?

Cabotage
 Customs and border controls
 Weights
 Drivers hours
 Taxation
 Environment (e.g. carbon tax and vehicle emissions)

Appendix 8: UK Department of Health Interview

I. DEPARTMENT STRUCTURE

1. What is the department's structure?

II. EU POLICY

2. How is the development of European policy issues monitored ?
3. Have there been changes in the way EU policy is monitored since 1986?
If so, what are these changes?
4. Has monitoring activity increased, decreased or remained the same since 1986?
5. How are policy responses co-ordinated?
6. What Committees involving Business interests have been established?
7. What involvement does the Department have in Council Meetings?
8. Who attends these? (numbers and level)
9. How does the department's work relate to that of UKREP?
10. What contacts does the department have with the Commission?
11. Which directorates does the department have contact with?
12. Has contact with the Commission increased, decreased, or remained the same since 1986?
13. What contacts does the department have with the European Parliament?
14. Have contacts with Parliament increased, decreased or remained the same since 1986?
15. What direct contact does the department have with representatives of the two committees (ECOSOC and ComReg)?
16. Has contact with the Committees increased decreased or remained the same since 1986?

III. CONSULTATION WITH BUSINESS INTERESTS

17. How is consultation with business interests organised?

18. Does this involve:?

Pharmaceutical Companies

Other sector companies

ABPI

PAGB

CBI

Other

19. Which are the priority contacts ?

20. Have contacts with any of these organisations increased since 1986?
If yes, specify organisations.

21. In terms of overall contact levels, what percentage are initiated by the department, and what percentage initiated by business or business representative organisations?

22. Has the amount of business initiated contact increased decreased or remained the same since 1986?

23. If it has increased, where has this increase been focused?

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Appendix 9: European Commission Interviews (DG VII, DGXI)

I. DIRECTORATE STRUCTURE

1. What is the directorate's structure?

II. EU POLICY

2. How is the development of national environmental policy issues monitored in the directorate?
3. How is policy development in other directorates monitored and co-ordinated?
4. What committees and working groups exist as part of the policy-making process?

III. CONSULTATION WITH BUSINESS

5. How is consultation with Business organised?
6. Who do you consult?

Freight Companies

Other sector Companies

UNICE

CBI

IRU

FTA

RHA

Eurochambres

ABCC

Other Business Organisations

Non-Business Organisations

Other

6. Which are you priority contacts?
7. Has the pattern of consultation changed since 1986 and if so how?
8. How is consultation with Non-Business organised?
9. Has the pattern changed since 1986 and if so how?
10. Do any of the following organisations contact you in order to lobby?

Professional Lobbying Consultants

Legal Firms

Accountancy Firms

**Non- Business Interest Organisations
Other**

11. Has the level of contact with Business organisations increased/decreased or remained the same since 1986 ?
 12. Has the level of contact with road freight companies increased/ decreased or remained the same since 1986?
 13. Which issues have caused the most reaction from business organisations and companies and where has this reaction stemmed from?
 14. How are transport and environmental issues being co-ordinated in terms of the consultation process for businesses? Does this differ from previous identified arrangements?
 15. How was input to the 1992 CTP managed ?
 16. What committees and forums existed to facilitate consultation on this issue?
 17. What was the role of 1)the European Parliament and 2)ECOSOC in this process?
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Appendix 10: MEP interview

I. ROLE

1. What is your role as a Member of the Transport and Tourism Committee?

II. BUSINESS CONTACTS

2. What contact do you have with the following organisations regarding road freight issues?

Road Freight Companies

Other Sector Companies

National Trade Associations

European Trade Associations

National Industry Associations

European Industry Associations

Chambers of Commerce

Eurochambres

Lobbying Firms

Other

2. How frequent is contact with any of the above?
3. Has the contact with the above increased/decreased or remained the same?
4. What formal consultation processes between the EP and business interests exist?
5. If you need to consult on particular ad hoc issues, how do you go (the EP) about this?
6. What are your links with UK MPs?
7. In your view, do UK business interests (companies or associations) approach UK MPs for referrals to the EP, or come directly to you?
8. What is your impression of UK freight companies understanding of the role and powers of the EP, and have there been any changes recently?
9. What is your impression of the role of local Chambers of Commerce in representing UK business regarding EU policy initiatives?
10. What is your impression of the overall level of lobbying activity focused on the EP for 1) road freight issues and 2) generally?

Appendix: 11 UK Representation Interviews

I. REPRESENTATION STRUCTURE

1. How is UKREP structure and how are 1) Transport issues and 2) Road Freight issues handled within that structure

II. EU POLICY

2. How are Transport policy developments monitored within UKREP?
3. What is the role of the ECTM in relation to EU policy development and what involvement, if any does UKREP have with this forum?

III. BUSINESS CONTACTS

4. What contact do you have with the following organisations regarding Road Freight issues?

Road Freight Companies

Other Sector Companies

National Trade Associations

European Trade Associations

National Industry Associations

European Industry Associations

Chambers of Commerce

Eurochambres

Lobbying firms

Other

5. If you have been approached by individual companies is this for information or for lobbying purposes?
6. How frequent is this contact?
7. Has the frequency of this contact increased/decreased/ remained the same?

8. Do non-business interests approach you about road freight issues, for example environmental groups?
 9. Have 'environmental' policy proposals (Vehicle emissions, CO2 tax) resulted in UKREP being lobbied by road freight interests?
 10. Do you foresee any change in levels of business lobbying activity (from the sector) as a result of environmental policy development in transport.
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