

Prof. Dr. Richard Vahrenkamp

Communist Logistics. Truck and Freight Forwarder Policy in the Eastern Bloc 1945 - 1990

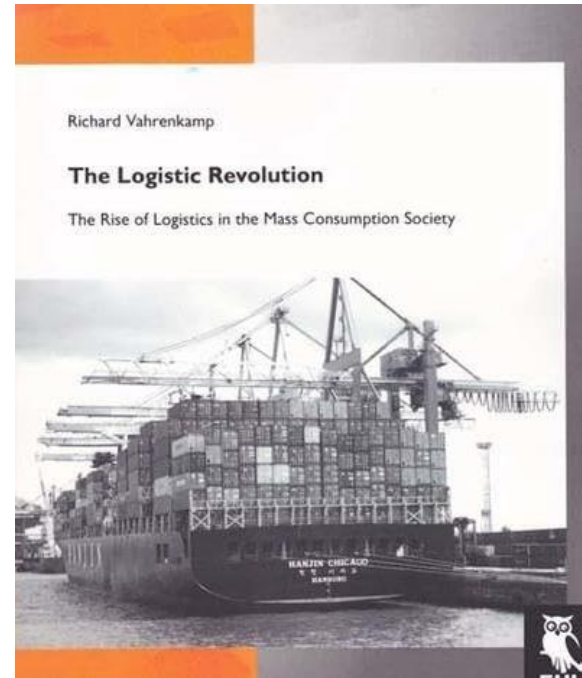
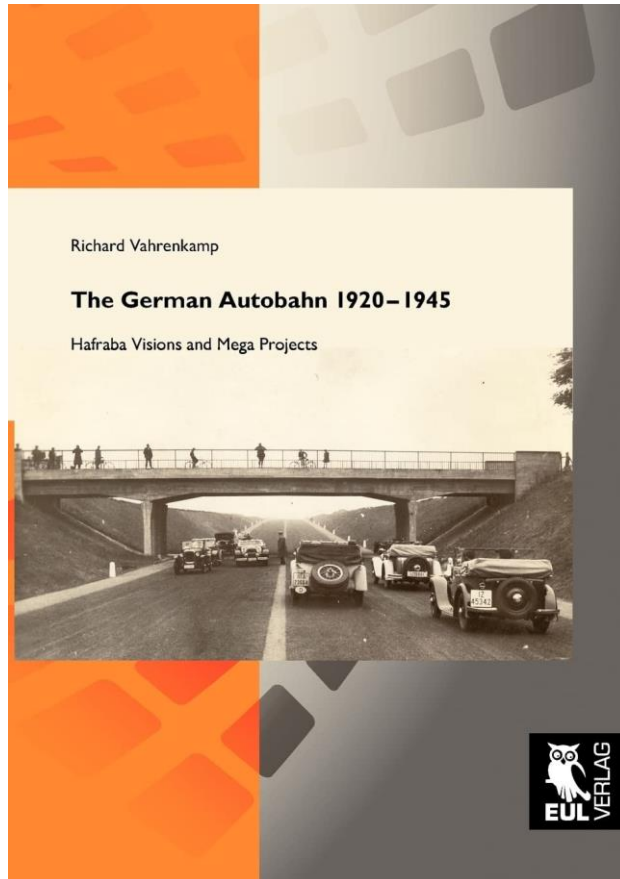
A Lecture on the History of Logistics
at University of Novi Sad
15th March 2024



Richard Vahrenkamp

Professor em. of Logistics, University of Kassel, Department of Economics and Management

My books on the history of Logistics on English:



My papers of the history of Logistics on English:

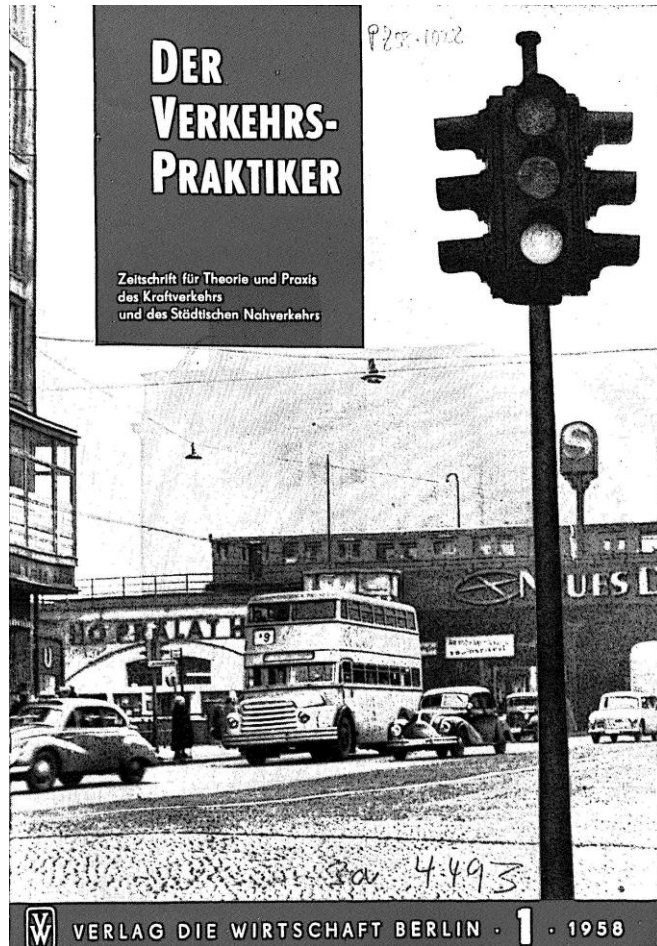
The dream of large-scale truck transport enterprises: Early outsourcing experiments in the German Democratic Republic, 1955 - 1980, in: Journal of Transport History, vol. 36, no. 1, June 2015, pp. 1-21.

. Coping with Shortage and Chaos: Truck Cargo Transport in the Eastern Bloc, 1950-1980, Icon –Journal of the International Committee for the History of Technology, Vol. 22, 2016, no. 1, pp. 126-146.

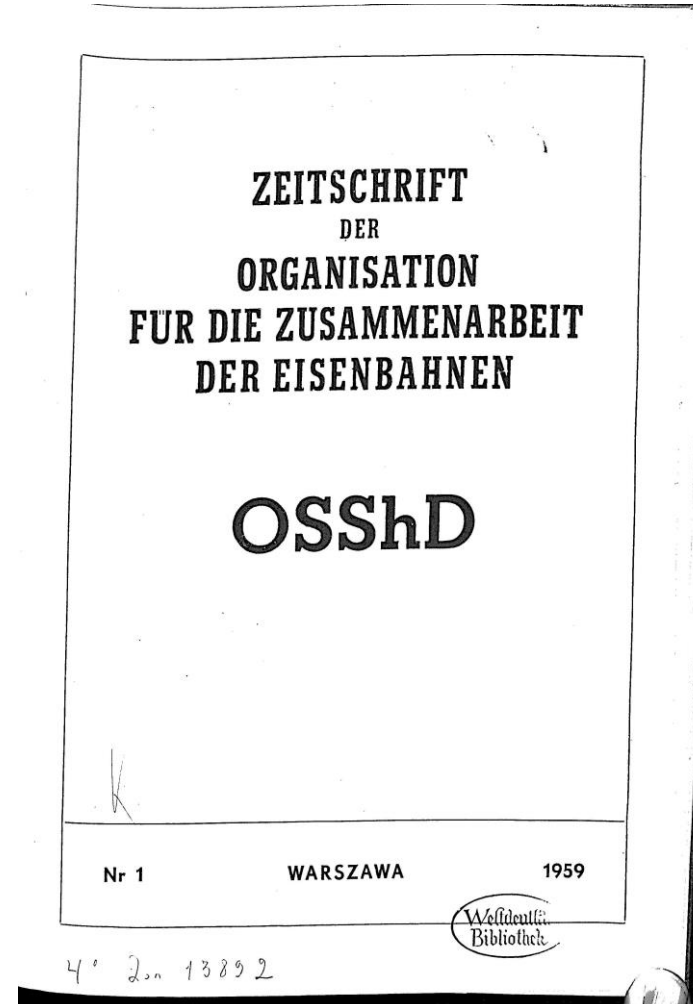
The sources of my lecture

Journals in German language publishing papers of the truck policy in the Eastern Bloc:

The Traffic



Journal of the Transport Ministers

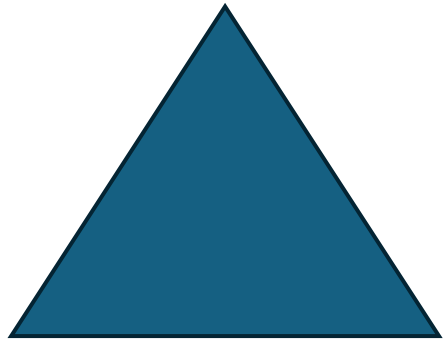


In the 20th century **truck transport** developed and railway logistics became less important, especially in the transport of finished goods.

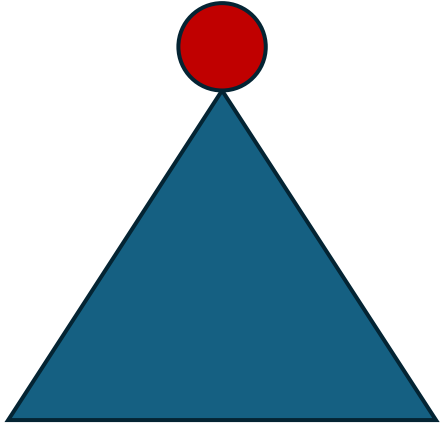
The aim of my lecture is to show that the state socialist regimes in the Eastern Bloc could not cope with **truck transport**.

What is the logistic difference between railway transport and truck transport?

The railways are a system of fixed technical norms. Only locomotives and waggons that comply to that norms can operate. The trains operate according to a fixed time table. The operations run according to thousands of fixed rules layed down in an operation manual of 1000 pages.



The organization of the railway is hierarchical pyramid from military. When the communists came to power they could overtake the railway without a change. They only put a loyal comrade on the top as president.



The organization of the railway is a hierarchical pyramid from military. When the communists came to power they could overtake the railway without a change. They only put a loyal comrade on the top as president.

The organisation of truck transport is quite different. There was no system of fixed rules. Large and small trucks, old trucks and new trucks could perform independently on the road. There was no time table. They could operate at every time. There was no unique large organisation of the trucks with a president but a large number of different truck companies, sometimes small companies, providing flexibility.

The shift to truck transport needed infrastructure (like for the railway) for truck transport:

- Roads
- Truck yards
- Transshipment sheds
- Maintenance facilities
- Recreation rooms for drivers
- Repair shops
- System of spare parts supply
(production and storage in warehouses)

Lack of Infrastructure for truck transport. „Economy of shortage“ in Eastern Bloc

➤ Roads

Visible infrastructure

➤ Truck yards

➤ Maintenance facilities

➤ Transshipment sheds

➤ Recreation rooms for drivers

➤ Repair shops

➤ System of spare parts supply
(production and storage
in warehouses)

Invisible infrastructure

In the Economy of Shortage there was a severe lack of infrastructure Impeding the use of trucks

According to Hungarian sources, in Hungary were 80% of the road in bad conditions.

The Soviet Union was described in the literature as a land without roads.

According to Polonian sources, in Poland were 25% of trucks not in operations because lack of spare parts,

The state socialist planners had a narrow view on production, but neglected the infrastructure of transport, for example, lack of warehouses to give shelter for the goods.

Chaos of truck organizations

Every politically powerful organization had an own truck fleet

Many branch ministries of the different economic sectors: Mining, steel production, machinery production, agriculture, food production, wholesale trade and retail trade, textile, construction and railway.

All ministries maintained their own truck company.

But, also every great production company had its own truck company.

The Russian Soc. Republic had in addition its own “public” truck company whose service everybody could call.

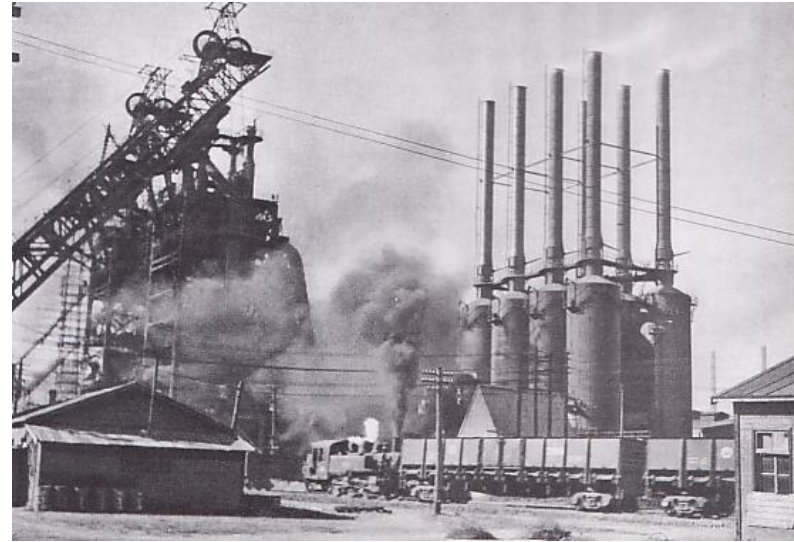
Contrary to the propaganda there was no coordination of transport among the different players. The propaganda said in Western countries would be a brutal Competition in the transport sector.

Communist attack on companies' truck fleets.

The famous „Law of the Economies of Scale“ applies to steel and Electric power



Electric
Power

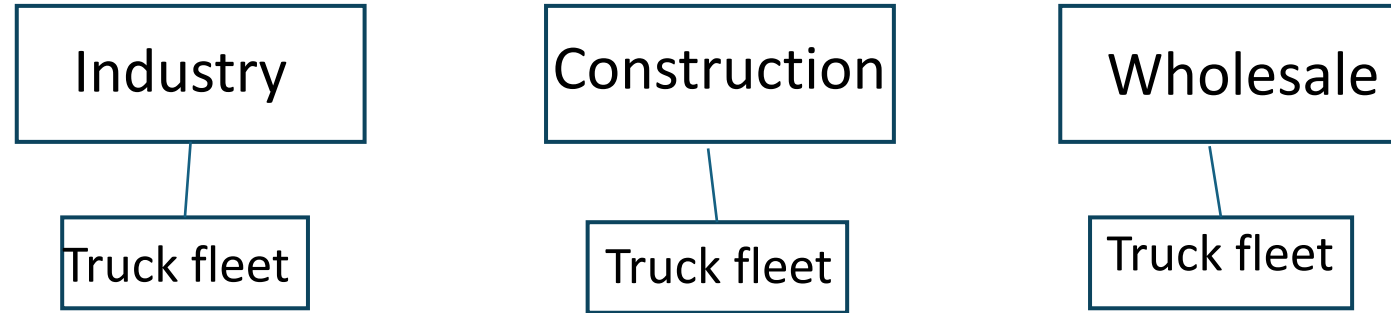


Steelworks

The state socialist planners wanted to apply the law to the service sector of transport. But transport is not central but decentral, linking different locations.

Two modes of truck transport

1. Truck fleets of enterprises: Transport of „own account“



small fleets
5..20 trucks

2. Forwarder companies

Forewarder companies bundle single shipments and concentrate them on one truck. Efficient use of truck capacity.



Forewarder companies bundle single shipments and concentrate them on one truck. Efficient use of truck capacity.



And load for the way back!



But bundeling and unbundeling cost time.

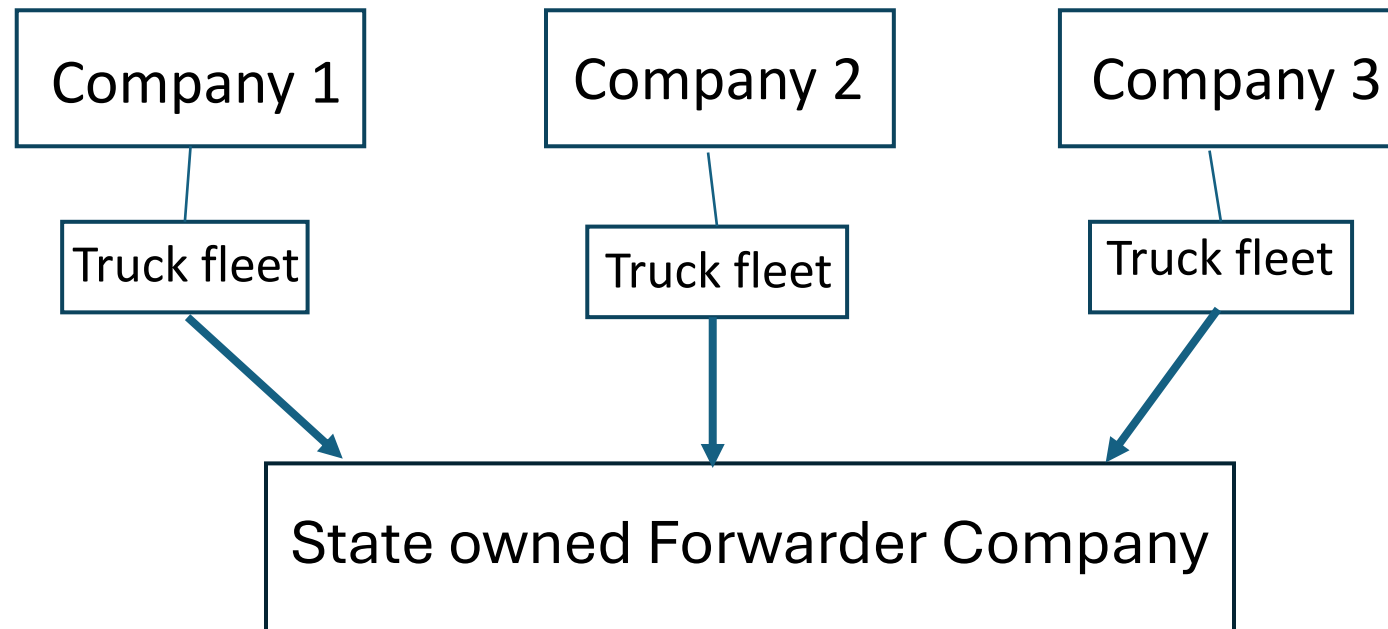
Direct delivery of a truck of a company fleet was faster.

***Communist transport ministry: Forwarder companies as model for all fleets.
The ministry started outsourcing in the 1950s.***

20th Communist Party Convention became famous as De-Stalinisation.

Party Leader Khrushchev at 20th Communist Party Convention 1956 in Moscow

said: Truck fleets in Moscow would be highly fragmented und declared that there were enormous hidden truck capacities among Moscow's state-owned enterprises if they would consolidate their own fleets of trucks in one big state owned truck forwarder company.



The state socialists started „Outsourcing“ of truck transport in the 1950s 30 years before Western management.

**„Outsourcing“ of truck fleets in industry, construction and commerce
in the 1950s, starting in Moscow, then in Eastern Germany (GDR)**

Concentration in one large forwarder company for each district, VEB Kraftverkehr

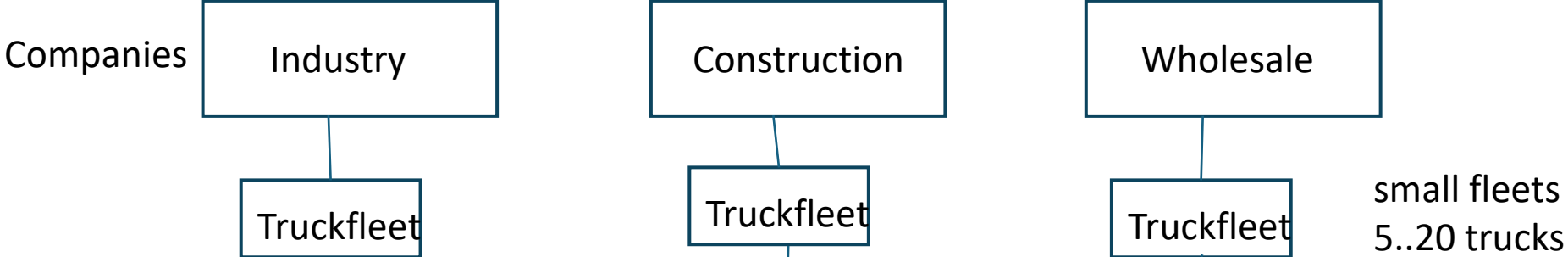
500 ... 1000 trucks

The communist transport ministry accused the company fleets not to use their capacity fully and to drive not enough kilometer under load and too much kilometer with empty trucks.

Dream of economic gains in large scale forwarder companies:

- * High productivity.
- * Less kilometer driven with empty trucks.
- * central facilities for repair and maintenance in industrial mode (were never built).
- * use of technical progress (punching card technology, computer).
- * simplified administration.

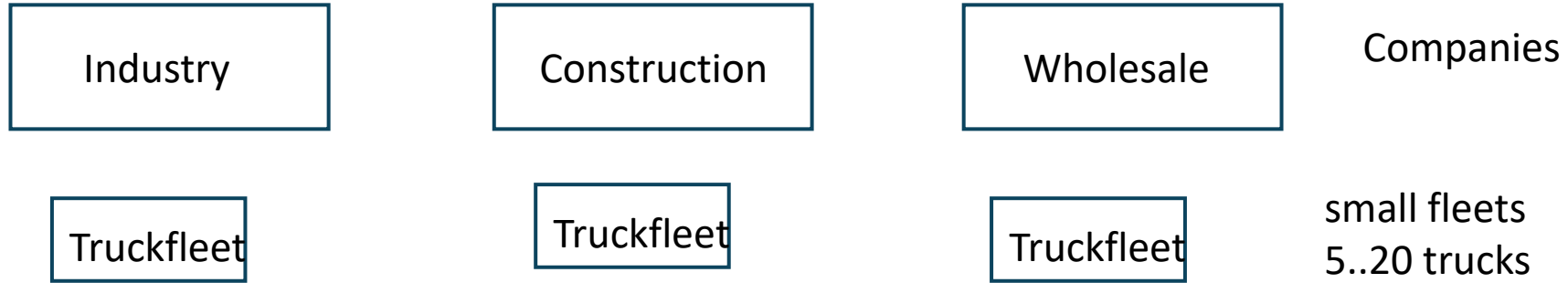
**„Outsourcing“ of truck fleets in industry, construction and commerce
in the 1950s, starting in Moscow, then in Eastern Germany (GDR)**



Concentration in one large forwarder company for each district, VEB Kraftverkehr



***„Outsourcing“ of truck fleets in industry, construction and commerce
in the 1950s, starting in Moscow, then in Eastern Germany (GDR)***



In GDR massive pressure of the transport administration on companies to quit their fleets.

But the companies struggled to keep their fleets. They showed the ***close ties between production and transport.***

Without their fleets there would be a great delay in the operations.

The Western management was cautious with outsourcing in the 1980s: long negotiations with forwarders, visit of other firms with solutions.

To choose the extend of outsourcing was up to the management.

Continous band of degree of outsourcing transport services



Central processes of the firm were made by themselves, but never be outsourced. Only marginal processe were outsourced.

There was a broad discussion about the advantages of **delivery on own account:**

- Quick delivery.
- Delivery when the production process was complete.
- Marketing – the brand on the truck.
- Loyal drivers with special knowledge.

On construction sites the cancel of own fleets resulted in great delays in 1960



In 1961 agreements between the transport ministry and the construction ministry: The constructions companies could keep own fleets for excavation and the transport of pre-cast segments. The state transport company should carry sand and gravels. Pre-cast segments played an important role in construction in the Eastern Bloc.

Industrialization of construction and central transport should show the superiority of communism over capitalism.

Danger in Commerce sector: Empty shelves in shops

Similar agreement between the transport ministry and the commerce ministry that the wholesale companies could keep their fleets. The state transport company concentrated on transports that were not time critical, as potatoes into the cities, grain to the mills, flour from mills to bakeries.

In the commerce sector was the danger of empty shelves if delivery of food was not on time.

Industrial unrest in Poland

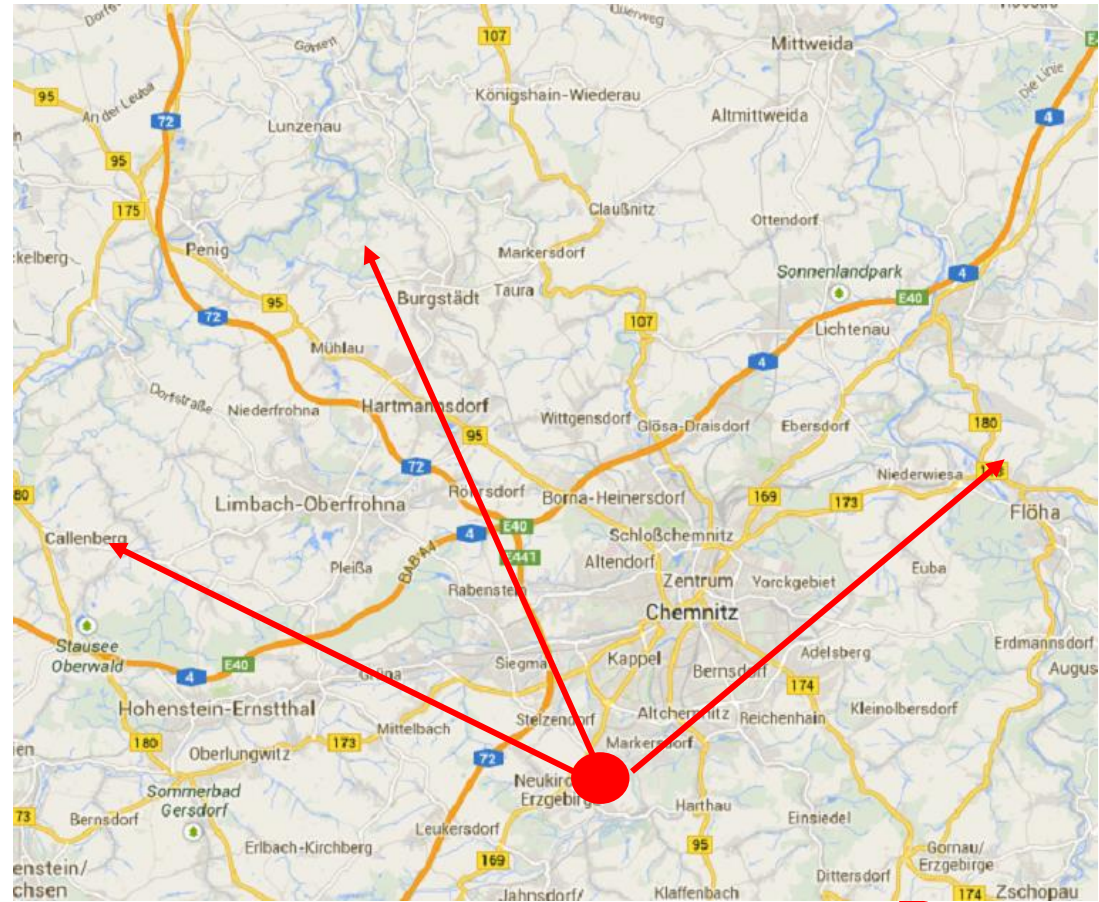
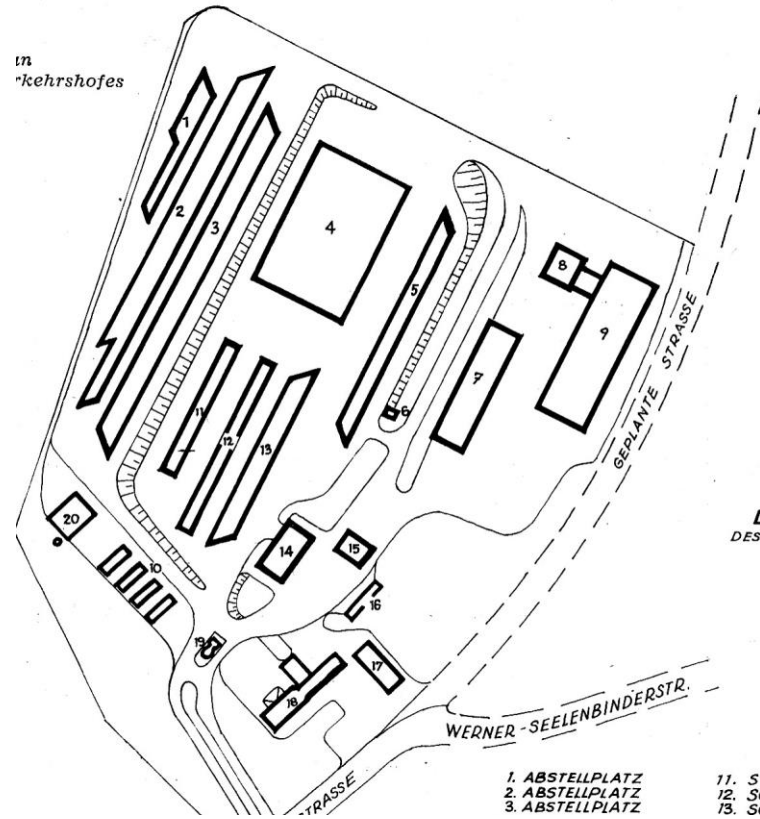
because of shortage in food supply.

The wholesale sector succeeded to keep its truck fleets.



Central garage yards in Eastgermany showed the limits of centralization.

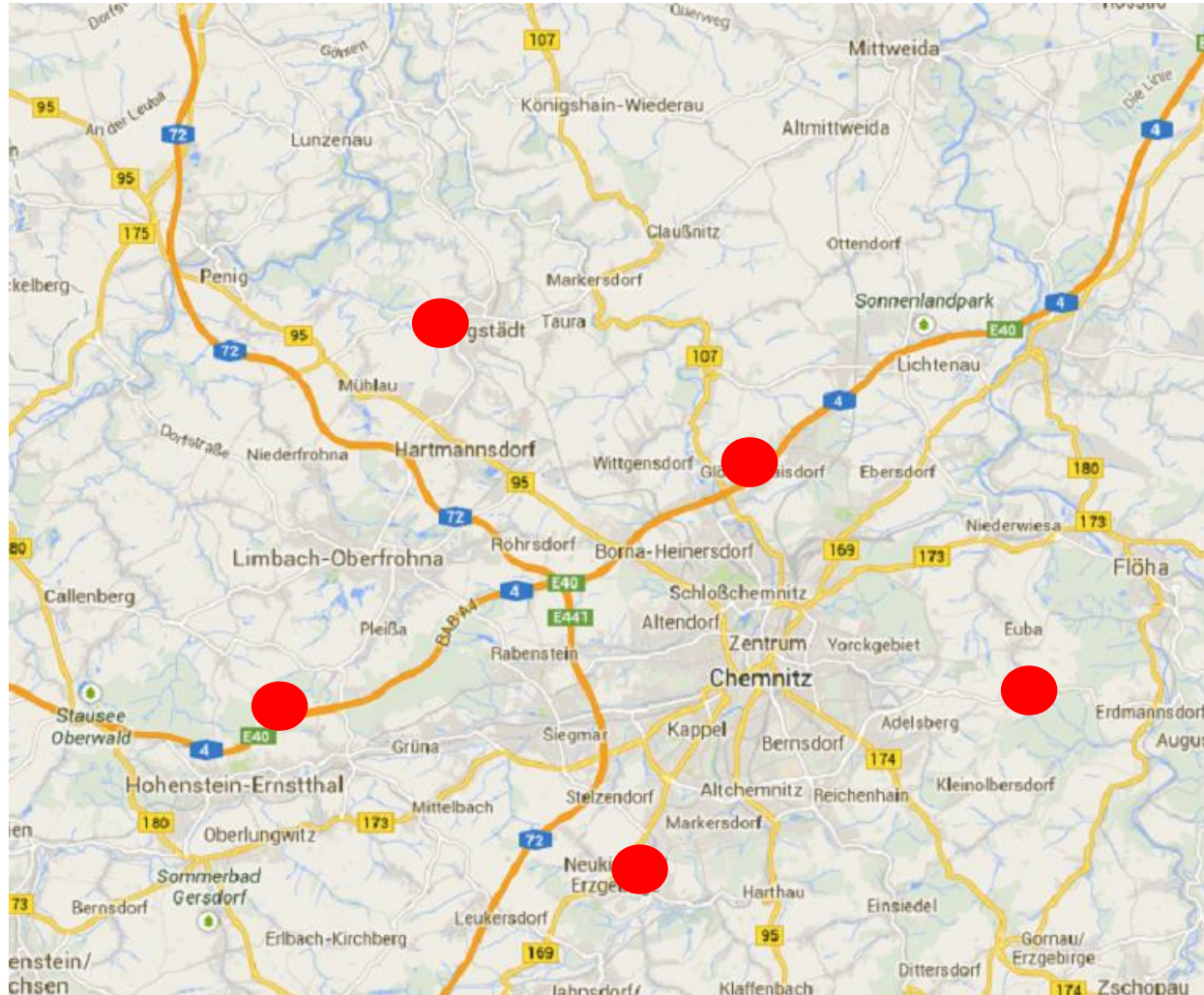
Central truck yard in Karl-Marx-Stadt
1959 as show case



In the morning the trucks had to start **empty** from the yard to drive to the customer where they got an transport order. The greater the area the yard served the longer was in the mean the way to the customer. And in the evening the way back also **empty**.

The second step in the 1960s:

Decentralization with branch yards close to the major production companies to avoid trips with empty trucks. The rebirth of the company fleets.



Thank you for your attention!
The end