CNR EUROPEAN STUDIES

The UK road freight transport sector

Summary

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As a member of the European Union (EU) since 1st of January 1973, the United Kingdom has, since its accession, been able to benefit from the various economic cooperation between the Member States while monitoring its relations with other Commonwealth countries. Community trade accounts for 47% of the country's exports and 53% of imports come from EU Member States. The country is also the second largest economic power in Europe and the sixth largest in the world. It benefits from a very large area of influence, which allows it to be considered a major global diplomatic power.

In June 2016, in a referendum, the United Kingdom voted to leave the European Union. This decision appears to be weighing on the country's economic growth. Annual growth in the UK then decreased from 3.1% in 2014 to 1.2% in the second half of 2019. A strong devaluation of the Pound leading to price inflation, around 19% between the end of 2015 and the beginning of 2018, needs to be added to this evaluation. Finally, after several postponements, exit from the European Union is currently planned for 31 January 2020.

The UK road freight transport (RFT) sector is rather stable. According to the latest statistics available in 2017, among the European sectors, the United Kingdom is positioned in fifth place on total activity, but only 21st on international activity. Its national activity is the fourth largest in the EU.

In order to better understand this nation's position in the European context, the CNR carried out a study on the UK RFT sector in 2019. The full report can be consulted on the CNR website: www.cnr.fr/, under Publications CNR/Europe. This document provides a summary of the main points and draws a comparison with the French RFT sector. For all further information, please contact CNR's European survey department.

Economic framework and transport infrastructure

The United Kingdom benefits from an open market where economic operators have long traded with neighbouring countries, first and foremost Germany, the Netherlands and France. The country remains particularly dynamic within the European Union, it is the second largest European economy behind Germany and slightly before France. However, for several years now, the uncertainties surrounding Brexit have reduced household consumption and corporate investment.

GDP growth, up +1.7% in 2017 and +1.4% in 2018 is below the European average. The forecasts for 2019 and 2020 indicate a declining growth rate of + 1.2% in 2019. Even though the unemployment rate reached its lowest level of 4% in 2018, this figure needs to be qualified. There is a great deal of inequality in the United Kingdom. Job creation is marked by precariousness, wage freezes and an increase in the number of part-time workers.

In terms of infrastructure, the United Kingdom has a well-developed road network of motorways and main roads known as "A" roads. The UK rail network covers 17,000 km. It is one of the oldest in the world. Between May 2015 and May 2016, 17.8 million tonnes-kilometre of freight transport were carried out by rail. The United Kingdom also has 22 maritime ports. The port of Dover is one of the most important. In 2018, nearly 2.5 million trucks passed through.

Evolution of the RFT sector in the United Kingdom

In 2017, the total UK RFT sector shows a slight decrease -0.7%, way below the average EU28 RFT growth rate of +4.7%. Nearly 96% of RFT activity is conducted nationally. International activity decreased, -4.1% per year on average between 2008 and 2017.

RFT* evolution in France and in the United Kingdom										
Transport Total										**millions of t.km**
Pavillon	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
France	206,304	173,621	182,193	185,685	172,445	171,472	165,225	153,580	155,843	167,691
United Kingdom	160,296	139,536	146,685	148,733	150,949	139,703	135,393	150,101	155,042	153,939
Domestic Transport										**millions of t.km**
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
France	181,879	156,021	164,325	168,242	156,449	155,712	151,112	141,242	144,205	155,876
United Kingdom	151,145	131,616	137,753	139,916	142,552	131,334	127,672	142,868	148,721	147,349
International Transport										**millions of t.km**
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
France	24,425	17,600	17,868	17,443	15,996	15,760	14,113	12,339	11,638	11,815
United Kingdom	9,151	7,921	8,932	8,816	8,397	8,369	7,721	7,233	6,321	6,590

* in EU + Norway + Switzerland + Liechtenstein — Souce: Eurostat

The British international road freight transport activity is concentrated in the neighbouring countries, namely France, Germany, Belgium and the Netherlands.

Operating conditions and costs

In the framework of its international studies, the CNR organizes interviews with local hauliers and drivers in order to evaluate conditions and operating costs and to observe the market. In 2019, CNR met face to face with ten representatives of companies and around twenty drivers with UK contracts in car parks in Ashford.

Concerning operating conditions, a UK 40-tonne vehicle is mainly composed of a three-axle tractor and a three-axle semi-trailer. It covers an average of 118,450 kilometres per year for 238 days of operation. It can reach up to 130,000 kilometres per year in exceptional cases. As a vehicle is often allocated to one driver, the driver-vehicle ratio is quite low at 1.05. According to the evidence gathered on site, UK drivers thus achieve an average of 113,000 kilometres a year. These observations are perfectly in line with the average of the RFT sectors in Western Europe and appear slightly higher than those observed in France.

In addition, UK hauliers always use available motorways. The infrastructure cost item is then particularly high at €21,000 per year and per vehicle, especially as it also includes ferries and tunnels, which cover almost half of the full item cost.

CNR has also seen significant disparities in fuel consumption. There are several reasons for high fuel consumptions: the increase in vehicle retention times from six to eight years due to Brexit uncertainties, the very high loads carried by certain hauliers and the very characteristic of UK heavy goods vehicles (HGV) with six axles. All in all, the average consumption is estimated at 30.7 l/100 km, which is higher than that observed in Eastern European countries where fleets are renewed more often.

In terms of fuel supply, UK companies are adopting strategies due to a higher commercial diesel price in the UK than in neighbouring countries. The gross fuel-oil price in the UK excluding VAT is €1.21 a litre in 2019. The amount of excise duties applicable to commercial diesel amounts to €0.6496 a litre, which is the highest amount in Europe. As a reminder, the country has not put in place a partial rebate mechanism for excise duties. Therefore, large UK companies have their own tanks. Those carrying out international transport choose to obtain supplies abroad, particularly in France and Belgium. According to information provided by companies and the main countries of supply, CNR has calculated an average price for a litre of fuel breaking down as follows: 25% of fuel bought in the UK, via a tank, 15% at the pump in the UK, 25% in France, 30% in Belgium and 5% bought occasionally in Luxembourg, Germany or Spain. After calculation, the average price of one litre of fuel for a UK haulier amounts to €1.0443 after partial recovery of excise duties in France and Belgium.

The annual cost of owning a vehicle is essentially the same as in France. When it comes to vehicle financing, companies choose leasing and rental. The average leasing period varies from 36 months to 60 months, completed by one extra year of vehicle use after leasing contract. The hauliers choosing the classical rental method rent their tractor units for an average duration of 3.5 years and their semi-trailers for 4 years.

The leasing contract is generally committed for 60 months term with an initial instalment of around 10% of the vehicle price. Under normal circumstances, companies renew their vehicles every six years. However, concerns and tensions surrounding Brexit lead hauliers to postpone the purchase of new vehicles. Two practices have been observed: either they keep their vehicles longer at the end of lease, three years instead of one year or they choose a three-year rental rather than a new lease contract.

The cost item for insurance is high compared to those observed by CNR in other European countries. The average cost of third-party insurance for a vehicle is €4,000 per year. By way of comparison, the same type of insurance for a French heavy goods vehicle amounts to €2,367 per year.

Lastly, the axle tax is higher than the European minimum, £1,136, or €1,340 for a 40-tonne, six-axle combination with pneumatic suspension[1]. In the case of a 40-tonne combination with pneumatic suspension, the tax is £1,750 (€2,068) compared to €516 for the European minimum.

Comparison of operating conditions and costs excluding overhead costs, for a 40-tonne HGV operated on long distance international routes, 2018 conditions, cost values updated in 2019

	unit	**France** *Statistics*	**United Kingdom** *Simulation*
Yearly mileage of vehicle	km	115,320	118,450
Number of operating days	days/yr	229	238
Semitrailer/tractor ratio		1.44	1.27
Driver cost	€/yr	49,019	46,689
Driver/tractor ratio		1.05	1.05
Yearly cost of vehicle financing and possession	€/yr	15,673	15,437
Average consumption per 100 km	litres	31.40	30.70
Unit fuel price, 2019 average (1)	€/litre	1.0211	1.0443
Fuel cost	€/yr	36,975	37,973
Tyres	€/yr	3,114	3,650
Maintenance-repair	€/yr	9,341	9,200
Tolls	€/yr	10,033	21,000
Insurance (vehicle)	€/yr	2,367	4,000
Axle tax and other vehicle taxes	€/yr	516	1,342
Synthesis – cost price (except structural costs)		**129,488**	**141,460**
Cost/mileage ratio per annum	€/km	1.12	1.19
Base 100 France		100	106

(1) after partial recovery of excise duties in France

Source : CNR European studies

Employment conditions and driver employment costs

As the UK social system is very liberal, there is no collective agreement in the RFT sector. However, a minimum wage is set at the national level and applies to the RFT sector. Since 1st of April 2019, it amounts to £8.21, or €9.70[2]. For a 40-hour week, i.e. 174 hours per month, the monthly minimum wage is set at £1,435.50 gross, i.e. €1,696.19 gross per month. On 1st of April 2020, a revaluation is planned, bringing the UK hourly minimum wage to £8.72, an increase of +6.3% in one year.

In the absence of a collective agreement, drivers are paid based on a fixed annual salary negotiated annually according to the profile of the driver. The wages of drivers and their working conditions therefore vary significantly from one company to another. For the past two years, a sharp increase seems to have been felt in the sector due to tensions in the labour market.

[1] https://eur-lex.europa.eu/legal-content/FR/TXT/PDF/?uri=CELEX:01999L0062-20180701 & qid=1579096484680 & from=FR

[2] Conversion on 1 January 2020: €1.1816 = £1.

In all cases, due to very low unemployment benefits and sickness benefits, sometimes 25% of usual income excluding travel allowances, employees are encouraged to continue working. In fact, days of absence are rare and wage incentives are numerous for many drivers. The fixed salary is paid on a weekly basis. In addition, travel allowances are generally paid at the end of the month.

Moreover, social contributions are particularly low in the United Kingdom compared with those of other European countries: 13.8% for the employer's share and 12% for the employee's share. Since the first £166 of weekly income is not subject to social contributions, the apparent employer rate on the typical driver profile studied is calculated 9.9%. Out of the 19 European countries studied by CNR, the UK has the second lowest rate of employer contributions behind Romania (6.25%) and ahead of Luxembourg (12.5%). By comparison, France has an apparent employer contribution rate of 25.8%.

Regarding the organization of drivers' work, they state that they carry out one tour a week or even every two-to-three days. They spend almost all their weekends at home and benefit from more paid leave than the UK average. In the end, the UK drivers work an average of 227 days per year and maximize their driving time, i.e. an average of 1,895 hours of driving per year compared with 1,602 hours per year for a French driver.

The uncertainties surrounding Brexit are also a source of concern for the UK drivers surveyed. The latter are particularly concerned about their future working conditions internationally.

Comparison between the cost of drivers in France and the United Kingdom, values 2018 updated in 2019

	unit	**France** *Statistics*	**United Kingdom** *Simulation*
Gross salary (miscellaneous bonuses and overtime included), subject to social contributions and to income tax	€/an	31,080	35,400
Travel allowances and other elements of remuneration not subject to social contributions or to income tax	€/an	9,920	7,700
Employer contributions (after deduction of state aids)*	%	25.8%	9.9%
Employer contributions in absolute terms	€/an	8,019	3,519
Annual cost total	€/an	49,019	46,689
Number of actual working days per year	j/an	218	227
Working time per year	h/an	1,602	1,895
Annual mileage		109,829	113,000
Cost of one hour's work	€/h	30.60	24.64
Base 100 France		100	81
Cost per kilometre	€/km	0.45	0.41
Base 100 France		100	92

*after Fillon deductions in France

Source : CNR European Surveys

According to CNR calculations, the cost of an hour of driving by a UK driver is around € 24.64, or 81% of the cost of a French driver. The country's liberal system therefore influences the cost of the driver. The absence of a collective agreement in the sector as well as the low rate of employer contributions enable it, among other things, to post a lower cost per hour of driving than neighbouring sectors. However, the total operating cost of an international UK HGV per kilometre is higher than in France, i.e. 6% higher than a French HGV. It should be remembered that UK hauliers are penalized by systematically crossing of the Channel, which doubles their infrastructure post cost per year, which is not the case for a French HGV. The higher axle tax and excise duties also have an upward impact on the operating cost of a UK HGV.

It is now important to monitor the impact of the country's exit from the European Union on the international RFT activity of the UK sector.