CNR EUROPEAN STUDIES

# Road freight transport in Belgium

## Abstract

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Since the procedure initiated in 2009 by the European Commission for excessive deficit, Belgium has had to make significant efforts to secure its budgetary trajectory. The country left this procedure in 2014 but got close to the 3% of GDP limit[1] in 2016. In order to comply with the recommendations made to Belgium by the European Council, the federal government, the regional governments and communities have undertaken a wide-ranging programme of reforms covering, among other things, labour market flexibility, taxation, business competitiveness, rise in wages and pensions. It has to be said that today, the Kingdom seems to be coming to an end of this difficult situation. The latest economic studies are very positive indeed. The good dynamics of Belgian domestic demand, driven by household consumption and sustained corporate investment, largely underpin this optimism. Belgian exports, dynamic in 2016 and 2017, will certainly remain so in 2018. Belgium is a country that is definitively outward looking and the vigour of its trade contributes significantly to maintaining the high rate of use of its industrial production capacity. In 2016, Belgium posted a growth rate of 1.5%, a rate higher than that of France or Italy, and above all, it is moving away from the recession that it had been heading towards during 2012 and 2013.

As regards road freight transport (RFT), the economic situation of companies in the sector seems to have improved since 2016, despite the introduction of the kilometre tax on roads and difficulties in passing it on its costs. Nevertheless, the positive impact of national GDP growth is not in the same proportion in the RFT sector. Many companies now refer to social dumping as the main cause of the situation. Moreover, the shortage of drivers, which worsened in the second half of 2016[2], is complicating the lives of Belgian RFT businesses.

To follow the evolution of the Belgian RFT sector in the European landscape and explain the components of its success, in 2018, CNR updated its 2013 study on the Belgian RFT sector. This new study was conducted in 2017 with RFT companies, drivers and professional organisations. The complete version of the study can be viewed on the CNR website at: www.cnr.fr, in the CNR/Europe Publications section.

This document provides a summary of the main points and draws a comparison with the French RFT sector. For any further information, please contact CNR’s international survey department.

### Economic framework and transport infrastructure

With a population of more than 11 million and an area of 30,528 km², Belgium is the second most densely populated in Europe, just behind the Netherlands. Thanks to its centrality, the country is a hub for the international transport of goods from and to the European Union. This predisposition is linked to the dynamism of its transport infrastructure. The port of Antwerp is ranked second in Europe and seventeenth in the world in terms of total traffic in traded goods. For all types of roads combined, Belgium is the country with the densest road network in Europe, just ahead of the Netherlands.

Due to the small size of the country, the freight transport and logistics sectors are strategically outward-looking. More than 95% of international transport comes from France, the Netherlands and Germany and 93% goes to these three neighbouring countries.

Road freight transport contributes 8% of Belgium's GDP[3] and is an important provider of jobs. As of 1st January 2018, there are 8,897 companies with transport licence, a figure that has been increasing since 2013. The number of employees employed by the transport and logistics sector is around 100,000.

[1] Criteria defined in 1992 by the Maastricht Treaty: the annual national fiscal deficit must not exceed 3% of GDP
[2] Due to the good economic situation and the end of the temporary exemption requiring drivers to have proof of professional aptitude
[3] 8.6% of GDP for France

One of the main concerns of RFT business leaders today is the ageing of professional drivers. According to a survey carried out by FEBETRA[4], a third of Belgian drivers are over 45 years of age.

## Activity growth in Belgium's RFT sector

With 30,865 million t.km achieved, the Belgian RFT sector represents 1.7% of the RFT of the 28 EU member countries. International transport accounts for almost 40% of its total activity. This particularity is explained, notably, by strong port activity and still very dynamic exports.

The Belgian RFT sector has been eroding each year for the last fifteen years or so. Overall, between 2001 and 2016, its activity contracted by more than 40%. Although, over this period, national transport activity has managed to keep at the same level or even recover since 2011, it is quite different for the international activity, which has almost been divided by three in fifteen years. This continuous deterioration in international transport is not a Belgian specificity, but results from many factors (European competition, company relocations, etc.).

### Changes in RFT in the French and Belgian sectors

| Million of t.km | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | Ratio t.km/GDP 2016 | Comparison Belgium / France |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Transport Total** | | | | | | | | | | | |
| France | 206,304 | 173,621 | 182,193 | 185,685 | 172,445 | 171 ,472 | 165,225 | 153,580 | 155,843 | 70 | 1.04 |
| Belgium | 38,356 | 36,174 | 35,002 | 33,107 | 32,105 | 32,796 | 31,808 | 31,729 | 30,865 | 73 | |
| **Domestic Transport** | | | | | | | | | | | |
| France | 181,879 | 156,021 | 164,325 | 168,242 | 156,449 | 155,712 | 151,112 | 141,242 | 144,205 | 65 | 0.69 |
| Belgium | 18,207 | 17,603 | 17,755 | 17,750 | 18,186 | 18,980 | 19,167 | 18,935 | 18,808 | 44 | |
| **International Transport** | | | | | | | | | | | |
| France | 24,425 | 17,600 | 17,868 | 17,443 | 15,996 | 15,760 | 14,113 | 12,339 | 11,638 | 5 | 5.46 |
| Belgium | 20,149 | 18,572 | 17,246 | 15,358 | 13,919 | 13,816 | 12,641 | 12,795 | 12,057 | 29 | |

Source : Eurostat

Since 2012, international RFT activity seems to be more resilient. While the share of goods loaded in Belgium and delivered abroad in the context of bilateral international transport operations has decreased for 15 years, the latter is offset by cabotage transport, the weight of which has increased from 5% in 2001 to almost 13% in 2016. The cabotage carried out by Belgian carriers jumped by 45% between 2013 and 2016. This phenomenon may seem surprising, but it should be emphasised that the Belgian case is not an isolated one. Over the same period, cabotage carried out by Italian carriers increased by 48%, that of Portuguese carriers by 10%, with that of Spanish carriers stabilising. Of course, these advances remain incomparable with those recorded for Lithuania, Romania or Latvia, but it would seem that certain recent measures are aimed at re-balancing the forces Europewide (obligation to respect the German minimum wage in force since 2015, obligation to spend normal weekly rest outside the cabin, etc.).

Relatively to GDP, Belgian road freight transport activity (t.km) is comparable to that of France, but is more open to international transport.

[4] Royal Belgian Federation of Carriers and Logistic Service Providers

## Operating conditions and costs

In the framework of its international studies, CNR organises interviews with local carriers and drivers in order to observe the market and estimate conditions and vehicle operating costs. In 2017, the CNR met Belgian professionals from the sector, as well as Belgian drivers in car parks or haulage centres located outside the country.

In 2013, when the previous CNR report on the Belgian RFT sector was published, professionals lamented the disastrous situation of the Belgian road sector by comparing it “to the sad fate of the merchant navy in the middle of the last century”. According to them, Belgian companies and jobs were disappearing in favour of the "flags of convenience" of the Eastern countries. Not that the situation has radically reversed in 2017, but the number of new businesses in the sector has recovered since 2014. The same applies to the number of vehicles in operation. Belgium has reacted. Substantial reforms have been carried out. The economic situation has improved and today, order books now seem to be full. There are, of course, elements that tarnish this picture. Driver shortages, competition from Eastern European countries and Brexit are creating uncertainty about the future.

Since 2013, many adjustments have been made (or forced) by business leaders regarding the operating conditions of their vehicles. The mileage and number of days of operation have been reduced. Belgian drivers engaged in international transport sleep away from home a little more than three nights a week and “major international trips” are most often carried out by foreign subcontractors or drivers employed by foreign subsidiaries of Belgian-owned companies.

COMPARISON OF OPERATING CONDITIONS AND COSTS EXCLUDING STRUCTURAL COSTS, FOR A 40-TONNE HGV 2017 VALUES

| | Unit | France | Belgium |
|---|---|---|---|
| Yearly mileage of vehicule | km | 114,100 | 117,000 |
| Number of operating days | days/yr | 230 | 220 |
| Semitrailer/tractor ratio | | 1.4 | 1.4 |
| Driver cost | €/yr | 47,758 | 56,284 |
| Driver/tractor ratio | | 1.06 | 1.07 |
| Yearly cost of vehicule financing and possession | €/yr | 15,261 | 14,769 |
| Average consumption per 100 km | litres | 31.5 | 30.0 |
| *Fuel cost. 2017 average** | €/litre | 0.9108 | 0.8585 |
| Fuel cost | €/yr | 32,737 | 30,134 |
| Maintenance-repair + tyres | €/yr | 11,981 | 11,115 |
| Tolls | €/yr | 9,624 | 8,000 |
| Insurance (vehicule) | €/yr | 2,248 | 1,900 |
| Axle tax and other vehicule taxes | €/yr | 516 | 515 |
| Synthesis - cost price (except structural costs) | | 122,990 | 126,658 |
| Cost/mileage ratio per annum | €/km | 1.08 | 1.08 |
| Base 100 France | €/km | 100 | 100 |

* After partial recovery of excise duties

The operating conditions of a vehicle in Belgium are similar to those observed in France. The Belgians and the French have a mechanism for partial reimbursement of excise duties on fuel for professional use. While the amount of this reimbursement is now almost identical, that of excise duties differs, as France significantly increased its TICPE in January 2018.

## Employment conditions and driver employment costs

The Belgian labour market does not provide enough drivers for the RFT sector. According to the experts, this particularity is one of the reasons for the high wage levels practised by Belgian companies, the aim being to attract drivers from neighbouring countries, such as France or Germany.

In Belgium, drivers are paid on the basis of an hourly rate set by a collective agreement. The working week is set to 38 hours with possible compensation over a fortnight, month or half year. There is an official minimum hourly rate for driving hours. Availability hours are paid at 99% of the driving rate. As in France, a seniority bonus is paid by the employer and complies with a scale provided for in the collective agreement. Travel allowances consist of the RGPT[5] (€1.3920/hr) and a travel allowance, most frequently in category A (€36.681 per day). Few bonuses are paid, but sometimes benefits in kind are offered to reward deserving drivers. However, there is an end-of-year bonus provided for in the collective agreement. It amounts to 5% of the total gross annual salary declared to the National Social Security Office by the employer.

Employer contributions vary depending on the size of the company. They amount to 54.33% for companies with fewer than 10 employees, 56.02% for companies with 10 to 19 employees and 56.06% for those with 20 or more employees. They are calculated on the basis of 108% of the gross monthly salary for 11 months of actual work, bringing the apparent rate shown in the table below to 60.56 %. The proceeds of this increase are paid to the National Social Security Office (ONSS) and are notably used to fund the holiday payment. This is paid to the employee by a specially allocated fund[6] and replaces the salary during the holiday period.

| COMPARISON BETWEEN THE COST OF DRIVERS IN FRANCE AND IN BELGIUM 2017 VALUES | | | |
|---|---|---|---|
| | Unit | France | Belgium |
| Gross salary (miscellaneous bonuses and overtime included), subject to social contributions nor to income tax* | €/yr | 29,544 | 29,942 |
| Travel expenses and other elements of remuneration not subject to social contributions nor to income tax | €/yr | 9,114 | 8,211 |
| Employer contributions (after deduction of state aids)** | | 30.80% | 56.06% |
| Apparent rate in Belgium | | | 60.56% |
| Employer contributions in absolute terms*** | €/yr | 9,100 | 18,132 |
| Annual cost total | €/yr | 47,758 € | 56,284 € |
| Number of actual working days per year | day/yr | 217 | 220 |
| Working time per year | hour/yr | 1,580 | 1,672 |
| Annual mileage | Km | 107,642 | 117,000 |
| Cost of one hour's work | €/h | 30.23 | 33.66 |
| Base 100 France | | 100 | 111 |
| Cost per kilometer | €/km | 0.44 | 0.48 |
| Base 100 France | €/km | 100 | 108.43 |

* Monthly salary basis : 2,722€ for 11 months

** After Fillon deductions in France, rate to report on the basis of 108% of the gross monthly salary (accurate rate for companies with 20 or more employees)

*** Remuneration of paid holidays by ONVA (the 12th month)

Source : Europe Studies CNR

The total annual cost of a Belgian driver is higher than that of a French driver (+18%) due to employer contributions that are twice as high in Belgium as in France. Relative to the cost of the driving time, the gap narrows but remains substantial (+11%). Despite good international productivity, which accounts for more than one-third of its business, the Belgian sector has a higher cost per kilometre than France (+9%).

In conclusion, with similar operating conditions, it is above all on the cost of a driver that the two countries diverge sharply, with Belgium distinguishing itself as remaining the European country studied by the CNR, where social contributions are the highest.

[5] General Regulation for the Protection of Labour
[6] Office National des Vacances Annuelles: ONVA