

CNR EUROPEAN STUDIES

# Road freight transport in Slovakia

## Abstract

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Slovakia, a country in Central Europe, gained its independence in 1993, in a move that saw it separate from the Czech Republic. It became a democratic republic as defined in the constitution adopted the same year. Slovakia joined the European Union in 2004, and the euro zone in 2009.

Its economy is based on a sound financial system that helped it withstand the global economic crisis of 2009 and that of the euro zone in 2012. Since joining the European Union, Slovakia has experienced a period of steady and sustained economic growth.

Slovak road freight transport (RFT) is dynamic. Despite the small size of the country and its economy, its road sector ranks 12th among European sectors in respect of total activity and 6th for international activity. It benefits from the country's advantageous geographical situation. As a result of the numerous motorways crossing through it, Slovakia offers direct access to Hungarian motorways for travel to Southern and South-Eastern Europe, and also to the German, Swiss and Italian markets via Austria.

In order to better understand the nature of the competitive advantages of the Slovak sector, as well as its place in the European RFT, the CNR updated its study on Slovak RFT in 2017. It was carried out in collaboration with the consulting firm VISEMONT Consulting. The complete version is available from the CNR website at: [www.cnr.fr](http://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 all further information, please contact CNR's European survey department.

### Economic framework and transport infrastructure

With a market of more than 5 million consumers, Slovakia can count on domestic demand to boost its growth. Its economy is a fortiori one of the most open to foreign trade in Europe. The country benefits from its geographical position, its much improved infrastructure and its relatively inexpensive skilled workforce. On balance, Slovakia is an ideal location for trade and investment. In 2016, exports of goods and services accounted for 94% of the country's GDP.

GDP growth, + 3.3% in 2016, a rate that was confirmed in 2017, remains above the European average. Unemployment, although still high, has fallen significantly to beneath 10% in 2016. This trend was confirmed in 2017 when unemployment fell to 8.1%. Regional disparities still persist however. There are still major differences between Bratislava in the highly-developed West and the Central and Eastern regions. The European funds deployed are aimed at reducing these differences.

In terms of infrastructure, with 43,414 kilometres of roads, the road network still predominates in the country. Since 2006, the share of rail and river transport has decreased in favour of road transport. In order to modernize the network, a large number of investments are being made in connection with the trans-European transport network project. This is the case of the D1 motorway that links Bratislava to the Eastern border via the city of Zilina, an important industrial hub close to Poland and the Czech Republic. With regard to other modes of transport, the Slovak rail network is ageing but still accounts for almost 20% of freight transport, which is higher than the European average. Inland waterway transport is on the other hand marginal.

## Activity growth in Slovakia's RFT sector

The Slovak RFT has maintained its rank within the European sectors and continues to expand internationally with an average annual growth rate of + 3.59% over 8 years.

In 2016, according to the latest available statistics, the total Slovak RFT sector had an annual growth rate of 8%, while the European RFT sector grew by only 4.6 %. The national activity of the Slovak sector remains low, with less than 16% of its total RFT activity and trended downwards from 2008 to 2016. Almost 85% of the RFT business is thus achieved internationally.

RFT* evolution in France and Slovakia										
Transport Total										million of t.km
	2008	2009	2010	2011	2012	2013	2014	2015	2016	Ratio t.km/GDP 2016
France	206,304	173,621	182,193	185,685	172,445	171,472	165,225	153,580	155,843	70
Slovakia	29,276	27,705	27,575	29,179	29,693	30,147	31,358	33,540	36,139	445
Domestic Transport										million of t.km
	2008	2009	2010	2011	2012	2013	2014	2015	2016	Ratio t.km/GDP 2016
France	181,879	156,021	164,325	168,242	156,449	155,712	151,112	141,242	144,205	65
Slovakia	6,319	5,519	5,198	4,906	5,073	4,566	5,094	5,245	5,697	70
International Transport										million of t.km
	2008	2009	2010	2011	2012	2013	2014	2015	2016	Ratio t.km/GDP 2016
France	24,425	17,600	17,868	17,443	15,996	15,760	14,113	12,339	11,638	5
Slovakia	22,957	22,187	22,377	24,272	24,620	25,581	26,265	28,295	30,441	375

\* in EU + Norway + Switzerland + Liechtenstein

Source: Eurostat

Cabotage activity grew rapidly between 2008 and 2016 with an average annual growth rate of almost 24%. In the 2016 European ranking drawn up by the CNR, Slovakia is ranked 8th in countries with cabotage activity. This activity thus represents 4% of the total RFT activity in the sector. The countries with the most cabotage activity from the Slovak sector are Germany, Italy and France.

## Operating conditions and costs

In the framework of its international studies, CNR organises interviews with local carriers and drivers in order to estimate conditions and operating costs and to observe the market. In 2017, CNR met with eleven representatives of companies at their premises and nineteen Slovak drivers at car parks outside of the country.

A large number of subsidiaries of RFT companies from Western European countries have set up operations in Slovakia since the last NRC study in 2011. These companies entrust to their subsidiaries the international share of the flows generated by their customers in their country of origin. Slovak carriers complain about the arrival of these foreign investors, especially those subsidiaries that tend to charge Western prices, offer higher wages than those offered on the Slovak market and capture most of the qualified drivers. A ripple effect of this is that Slovak carriers are reporting difficulties in hiring drivers. To compensate for this lack of drivers, they would have no hesitation in offering Ukrainian and Hungarian drivers more attractive wages than they can earn in their home countries in order to attract them to Slovakia.

The cost of drivers has actually increased in Slovakia but is still much lower than in France. In 6 years, costs have increased by + 3% a year.

<b>Comparison of operating conditions and costs excluding structural costs, for a 40-tonne HGV 2017 values</b>			
	unit	France	Slovakia
Yearly mileage of vehicle	km	114,100	142,000
Number of operating days	days/yr	230	257
Semitrailer/tractor ratio		1.40	1.30
Driver cost	€/yr	47,758	27,934
Driver/tractor ratio		1.06	1.10
Yearly cost of vehicle financing and possession	€/yr	15,261	12,294
Average consumption per 100 km	litres	31.5	31.3
Fuel cost. 2017 average (1)	€/litre	0.9108	0.889
Fuel cost	€/yr	32,737	39,495
Tyres	€/yr	3,195	4,120
Maintenance-repair	€/yr	8,786	5,300
Tolls	€/yr	9,624	16,300
Insurance (vehicle)	€/yr	2,248	2,980
Axle tax and other vehicle taxes	€/yr	516	1,738
<b>Synthesis – cost price (except structural costs)</b>		<b>122,990</b>	<b>112,954</b>
Cost/mileage ratio per annum	€/km	1.08	0.795
Base 100 France		100	75

(1) after partial recovery of TICPE in France

Source : CNR European studies

As in the 2011 study, a feature of the Slovak sector is the intensive use of its vehicles, reaching more than 140,000 kilometres for 257 days of operation.

The way fuel is purchased has changed since the previous CNR study. In 2011, carriers stated that they did not own any tanks and that they obtained fuel in neighbouring countries where prices are lower. The 2017 study shows different purchasing management practices. Major Slovak companies claim to be obtaining more than 80% of their supplies from the Slovak market through the purchase of bulk fuel stored in tanks. On the other hand, smaller companies continue to prefer to buy 70% of their fuel abroad. On balance, according to CNR calculations, 64% of fuel is purchased in Slovakia at a tank price of €0.89/litre, 6% is bought at the pump and 30% bought abroad at an estimated average cost of €0.875/litre. In the end, the average cost of a litre of fuel is estimated at €0.8886. The cost of fuel remains well above the prices noted for its neighbours to the East, such as Poland or Hungary.

The way tyres are bought is also changing in Slovakia. Proposals for fixed amounts per kilometre from tyre suppliers are becoming increasingly attractive. Slovak carriers want to have fixed costs for this item while at the same time optimizing quality. The fixed tyre price most often mentioned by companies is estimated at 4 euro cents per kilometre travelled.

Maintenance and repair costs are lower in Slovakia than in France (€5,300/year vs €8,786/year). In the main, Slovak companies take out maintenance contracts in the framework of leasing contracts.

Finally, one of the largest cost items remains tolls and tax discs which amount to €16,300/year, a sharp increase since 2010. There are two reasons for this significant increase - the increase in the number of countries visited that have adopted the kilometre tax in the same way as Slovakia and the generalized increase in prices. A cost to which the price of the Eurovignette for routes that frequently cross the Netherlands and Luxembourg needs to be added.

The axle tax, which was reviewed on 1 January 2015, is now defined at the national level and collected by the Ministry of Finance. It is progressive based on the age of the HGV. It amounts to €1,738/year for a 4-year-old 40-tonne HGV, compared to €516/year in France. It should be noted that the provision that allowed vehicles that are not used in Slovakia throughout the year to be exempted from axle tax no longer exists. Axle tax applies to all motorized road vehicles.

## Employment conditions and driver employment costs

As in most Eastern European countries, there is no collective agreement in the Slovak RFT sector. There is, however, a national basic minimum wage. This wage stood at €435 gross per month in 2017. It was raised to €480 gross per month on 1 January 2018, an increase of 10.34% in one year. In the absence of a collective agreement that could be used to define a gross wage by trade, Slovak law provides for a classification based on the level of responsibility. Of the six existing levels of difficulty, drivers are classified at the second level. The minimum wage thus set for the profession is €576 gross per month in 2018.

In so far as concerns the remuneration of drivers, attitudes have changed since the last CNR study in 2011, in particular as a result of the pressure from Western countries. Although monthly remuneration is always presented in the form of a fixed part supplemented by a variable part, the fixed part has risen and is now around €800 gross/month in the region of the capital and €650 gross/month in the East of the country. As for the variable part, which was almost exclusively based on the driver's mileage in 2011, it more frequently consists in 2017 of daily allowances, up to 50 to 65 euros per day of actual work, which are gradually replacing the mileage allowances. For the small number of cases observed that still use the old system, the mileage allowance is estimated at 10 euro cents per kilometre travelled.

To this must be added a number of bonuses allocated according to the quality of the driver's work (Christmas bonus, non-accident bonus, weekend bonus, ...). Companies state that their drivers' greatest asset is their flexibility in terms of both working hours and wage calculations.

Comparison between the cost of drivers in France and in Slovakia 2017 values			
	Unit	France	Slovakia
Gross salary (miscellaneous bonuses and overtime included), subject to social contributions nor to income tax	€/year	29,544	11,040
Travel expenses and other elements of remuneration not subject to social contributions nor to income tax	€/year	9,114	13,008
Employer contributions (after deduction of state aids)*	%	30.8%	35.2%
Employer contributions in absolute terms	€/year	9,100	3,886
Annual cost total	€/year	47,758	27,934
Number of actual working days per year	day/yr	217	234
Working time per year	hour/yr	1,580	1,980
Annual mileage		107,642	128,800
Cost of one hour's work	€/h	30.23	14.22
Base 100 France		100	47
Cost per kilometre	€/km	0.44	0.24
Base 100 France		100	54

\*after Fillon deductions in France

Source : CNR European Surveys

According to the CNR calculations, the cost of an hour of driving for a Slovak driver is around €14.22, or 47% of the cost of a French driver. The share of employer contributions is higher in Slovakia than in France: 35.2% vs 30.8%, but in absolute terms represents only €3,886/year vs €9,100/year for a French driver, as it is applied to a low base, representing less than half the income. In the end, the cost per kilometre of a Slovak driver is low, namely 54% of the cost per kilometre of a French driver.

To conclude, Slovakia has maintained its position on the road freight transport market in Europe. Slovak RFT is however in direct competition with its Polish and Hungarian neighbours. It can, nevertheless, rely on the competitiveness of its sector with regard to prices. Its competitive advantages, namely a low hourly driving cost, €14.22/hour all inclusive and a large annual mileage per vehicle, mean that it has been able to make a place for itself internationally.