EUROPEAN CNR STUDIES

RFT in Slovakia - summary

4 June 2012 version

Slovakia joined the European Union in 2004 together with another 7 Central and Eastern European countries as well as 2 island nations. Further to some closely followed structural reforms and a fully controlled fiscal position, the country managed to meet Maastricht criteria in 2007 before adopting the single currency as of 1st January 2009. This event increased the country's economic stability while securing its economic legitimacy within the European Union.

Although Slovakia is a small Central European country, it does play a prominent part in European RFT. Just like its Polish or Hungarian neighbours, it is specialised in international RFT and provides services between its Western European partners and the countries beyond its Eastern boundaries, especially Ukraine and Russia.

To meet EU membership requirements, Slovakia has harmonised its legislation with European regulations. The country's entry into the Schengen area, the lifting of the restrictions on freedom of movement for workers and the end of the transitional period concerning road cabotage are all positive developments that have brought the country and its flag closer to the markets of the older Union members. At the social level however, certain practices often observed in most Eastern European countries imply that Community rules, the foundation of fair competition, are not being abided by everywhere. What about Slovakia? CNR's comprehensive 52-page survey on Slovak RFT, which is available on CNR's website: www.CNR.fr heading > Publications > Europe, provides many an answer, more especially to this question. For any further information about the survey, please contact Mr. Alex Ugurlu at the CNR, a-ugurlu@cnr.fr.

Economic framework

The Slovak economy mostly depends upon the European Union. It experienced very high growth rates in the 2000's (up to over 10% in 2007). Unlike Poland, the Slovak economy was somewhat affected by the 2008-2009 economic crisis. The country recovered positive growth rates as of 2010.

Industry has developed significantly over the last ten years. The Slovak state supported foreign investment in industry by providing building sites, very attractive tax rates and contained salaries. The leading sectors of the local economy: heavy industry (steel) and the automobile and chemistry industries, provide for most of the country's exports.

Slovakia joined the eurozone on 1st January 2009. Before adopting the euro, the rate of the Slovak crown, the country's currency, had rapidly appreciated, thus mechanically increasing the Slovaks' wages and living standards. Membership was made possible by strict auditing of state accounts and the implementation of a liberal economic policy by Mr. Peter Kažimir, the state secretary for finance in the first Fico government, who in March 2012 became deputy prime minister and finance minister in the Fico II government. The interview with Mr. Kažimir on the state of the Slovak economy arranged by CNR is available in the full survey.

As for infrastructure, Slovakia inherited few motorways from former Czechoslovakia. Following the country's independence in the early 1990's, the successive governments have made the construction of road infrastructures a priority in the country's development. As they were aware of the country's strategic location between Eastern European countries and the European Union, the leaders undertook the motorway project between Ukraine in the East and Austria in the West. Its construction encountered financial obstacles but its opening is scheduled for 2015 by the current government.

2010 Framework Data			
	France	Slovakia	unit
RFT operated in the EU by the flag holder	182,193	27,575	million t-km
Rail transport of goods (domestic)	29,952	8,105	million t-km
Number of companies in the RFT sector*	36,286	8,146	
Number of road tractors in the RFT sector*	211,918	22,655	

*2009

Source : Eurostat

RFT evolution in French and Slovak companies*							
Transport Total							million of t-km
Pavillon	2004	2005	2006	2007	2008	2009	2010
France	212,201	205,284	211,445	219,212	206,304	173,621	182,193
Slovakia	18,527	22,566	22,212	27,159	29,094	27,705	27,575
Domestic Transport							million of t-km
	2004	2005	2006	2007	2008	2009	2010
France	179,183	177,331	182,753	191,388	181,879	156,021	164,325
Slovakia	5,422	5,621	5,203	5,617	6,326	5,519	5,198
International Transport							million of t-km
	2004	2005	2006	2007	2008	2009	2010
France	33,018	27,954	28,692	27,824	24,425	17,600	17,868
Slovakia	13,105	16,945	17,009	21,542	22,768	22,187	22,377

* in EU + Norway + Switzerland + Liechtenstein

Source : Eurostat

In terms of domestic RFT, Slovak flag activity (in t/km) is equivalent to one thirtieth of French flag activity on its market. Its volume has been rather stable since the country's entry into the EU. On the international market, the Slovak RFT overtook the French flag in 2009 and continues to progress. Just like the other flags in the region, Slovakia has kept a competitive advantage notably due to low cost prices. The Slovak flag is as active in neighbouring countries as it is in more distant markets (France, Spain, United Kingdom…).

Organisation of the RFT sector in Slovakia

There are few statistics related to Slovak RFT companies. According to the sector's representatives, there were thought to be 2,000 HGVs in Slovakia at the fall of the former regime and 3,000 in 1993 when the country achieved independence. The sector's size is estimated at 4,000 companies and 10,000 HGVs on the eve of the country's admission into the EU.

In 2011, interviews with the managers of the main professional organisations enabled us to understand the magnitudes of the Slovak flag. According to professional organisation CESMAD, an IRU member, there are reportedly almost 23,000 HGVs and 8,000 companies in total. CESMAD totals 1,500 companies and a fleet of 10,000 HGVs. It is the main professional organisation in the sector; among others, it commissions specific surveys from the Transport Faculty of the Zilina University, which could be used as arguments during the negotiations with the government or the trade unions.

A specific characteristic found in all Eastern European countries: self-employed drivers play an important part in RFT. They are often divided into two groups: The first includes drivers who do not own their vehicles. In this case, the drivers are linked to a company only via a "cooperation agreement" and rent the latter's vehicles. The second includes self-employed drivers who, in most cases, are subcontractors of large companies.

The Slovak transport administration is decentralised. In each of the country's 8 regions, there is a Transport Regional Directorate which accommodates a Road Transport Department responsible for the organisation of examinations concerning professional competence and for issuing international transport licences and other authorisations. These Regional Directorates also determine the amount of the axle tax, which consequently varies from region to region.

Operating costs

The survey displays an analysis of the various headings for operating costs with Slovak RFT companies. This analysis was carried out via interviews in transport companies; it offers an opportunity to compare their costs with those in France.

The survey shows that the vehicles travel almost 30,000 km more in Slovakia than in France (+25%). The number of operating days is also higher. It is noted that the semitrailer/tractor ratio in Slovakia is relatively low. These three indicators bring the cost per kilometre of a vehicle below French levels, although the Slovak purchase price and financing cost of the vehicles remain higher than in France.

The price of fuel in Slovakia is higher than the French average over the same period of time. This discrepancy is accounted for by the excise duties and high refining costs. Slovak hauliers systematically drive on motorways so as to optimise their working and driving times. This enables them to save fuel. Hence, the fuel cost per kilometre of both countries is quite similar.

In absolute terms, the expenditure on tyres, tolls and insurance is similar in both countries. Therefore, intensive vehicle operation in Slovakia mechanically decreases their cost per kilometre. The sector that shows a large difference in cost is maintenance and repair, more especially because of lower labour costs in Slovakia. Corrected for one kilometre, maintenance and repair is 3 times as expensive in France as in Slovakia.

Comparison between French and Slovak operating costs for a 40-ton HGV - December 2011			
	unit	France	Slovakia
Yearly mileage per vehicle	km	116,100	145,200
Number of operating days	days/year	231	262
Semitrailer/tractor ratio		1.32	1.10
Driver cost	€/year	46,402	23,494
Driver/tractor ratio		1.07	1.10
Yearly cost of vehicle ownership and its financing	€/year	14,078	15,077
Average consumption per 100 km	L/100 km	34.2	31.7
fuel price, December 2011*	€/L	1.099	1.149
Cost of fuel	€/year	43,637	52,873
Tyres	€/year	3,251	3,250
Maintenance-repairs	€/year	8,243	3,400
Tolls	€/year	8,367	8,667
Insurance (vehicle)	€/year	2,611	2,850
Axle tax and other vehicle taxes	€/year	517	2,234
Cost synthesis (excluding structural costs)		130,354	114,194
Cost/mileage ratio per annum	€/km	1.123	0.786
Base 100 France		100	70
Cost/number of operating days ratio	€/day	566	436
Base 100 France		100	77

* cost of fuel on 19 December 2011, domestic average, after deduction of TIPP rebate (fuel excise tax)

Long hauls, international carriage specialisation and the desire to avoid breakdowns encourage businesses to invest in comparatively new and reliable transport equipment with a Europe wide maintenance network. To limit surging equipment costs, hauliers save on optional extras.

By adding these costs to those of the driver, the Slovak cost price corrected for one kilometre (excluding structural costs) is 29% lower than the French cost.

Among structural costs, which could not be entirely reconstituted, two taxes are worth mentioning. The axle tax, a regional levy, is high: over 2,500 € in Bratislava. The HGV Ecotax was implemented in early 2010 and represents a cost of 0.19 €/km on motorways and 0.14 €/km on expressways or trunk roads for a 40-Tonne euro 4 or 5 vehicle.

Driver employment conditions and its cost

Slovak economy is in the process of catching-up. Social security contributions, i.e. 35.2% for employers, are higher than in France. There is a minimum wage that varies according to the responsibility level of the occupation. For drivers, who are level II, it amounts to a monthly 380 €. Apart from travelling expenses, all additional salary is subject to social insurance contributions.

Directive EC 2002/15 was incorporated into Slovak law shortly before the country's entry into the European Union. Weekly working time has been set at 40 hours by the Labour code, but can be extended to an average

48 hours including overtime, which enables the drivers to reach the maximum working time provided for in European regulations. In practice, Slovak drivers only use the "driving" and "break" functions of tachographs in their country. When abroad, they claim compliance with European regulations.

Failing an agreement between employees and employers, overtime is paid 25% extra. However, the payslips that were produced during the interviews do not refer to any overtime. In practice, working time seems to be smoothed out from month to month in such a way that any increase is avoided.

Workers older than over 33 are entitled to 25 days paid leave. Income tax rates are 19% for all monthly incomes in excess of 296.60€ net. The new Fico II government, which has been in place since March 2012, is planning to increase the current rate to 21% and to create a second income bracket that will be taxed at 25%.

Monthly fixed wages granted to drivers are higher than the minimum salary, but vary according to the company location. It ranges from a monthly 500€ - 650€ gross in Bratislava to 400€ - 500€ in the East of the country. Remuneration by the kilometre still exists but is far from the norm and remains limited to the Eastern regions. Travel expenses are paid 45€ by day for journeys in Western Europe.

Fixed salaries are often supplemented by various bonuses. In the RFT sector, it is customary to grant a bonus called "pocket money", which amounts to 30% of travel expenses. This bonus has been liable to social contributions since 1st January 2011. A series of other bonuses, which are often based on the workload, complement the driver's remuneration. On the payslips collected in Slovakia, there is a non-exhaustive list of bonuses:

- Weekend bonus (between 50€ and 100€ for every Sunday abroad)
- Night driving bonus (150€ monthly in total)
- Driving over 10,000 km (70€ for every 1,000 km, limited to 3 x 70€)
- Workshop bonus (according to the repair carried out)
- Turnover bonus
- Christmas bonus (between 100€ and 250€)
- Seniority bonus (+10% fixed wage every 3 years up to a limit set by the employer)
- Employee participation in the company's profits…

Comparison between the cost of drivers in France and in Slovakia, December 2011 values

	unité	France	Slovakia
Gross salary (miscellaneous bonuses and overtime included)	€/year	28,668	10,787
Travel expenses	€/year	8,560	8,910
Employer contributions (after deduction of state aids)	%	32.0	35.2
Annual cost total	€/year	46,402	23,494
Number of actual working days per year	day/year	216	238
Working time per year	h/an	2,123	2,411
Driving time per year	hours/year	1,599	1,935
Annual mileage		108,505	132,000
Base 100 France	€/h	21.86	9.74
Cost per kilometre		100	45
Cost of one hour's drive	€/hour	29.03	12.14
Base 100 France		100	42
Cost per kilometre	€/km	0.43	0.18
Base 100 France		100	42

Source : CNR

According to CNR estimates, the cost of one hour's drive in Slovakia only reaches 42% of the same in France, although it is slightly above that of its neighbours. In Central Europe, where practices are often regarded as being in a grey area as concerns the legal framework from Europe's point of view, Slovakia appears to be a model student thanks to the social system that is being built, the presence of a minimum wage, even though it is well below Western standards but considerably increased by bonuses, and the political will to catch up economically as well as socially and fiscally.