

## EUROPEAN CNR STUDIES

# Road Freight Transport (RFT) in Slovenia - summary

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Within the scope of its international surveys, CNR has decided to carry out a study on the Slovenian RFT (road freight transport) due to the special situation of this small country's flag, which is located at the heart of the transit operations between Western and South-Eastern Europe. This study was conducted during times of economic crisis that have been lasting for 5 years; it aims to present the country's economy and to explain the strengths and weaknesses of its flag within the highly competitive Eastern European environment.

Far ahead of its neighbours from the former Yugoslavia, should Slovenia be regarded as the 16<sup>th</sup> Western economy, or the 1<sup>st</sup> in Eastern Europe? Is the Slovenian RFT, which has been stagnating since the beginning of the economic crisis in late 2008, harshly weakened by the loss of competitiveness of Slovenia's economy? Would thorough restructuring be the cause of its problems?

To answer these questions and inform the RFT professionals about this country that is little known in France, CNR carried out a field study in 2013/2014. It includes a detailed analysis of the operating costs and conditions in the sector, with the economic conditions that prevailed in 2013.

The full study carried out in partnership with our local experts from the *Moreus, Grzegorz Grzegory & Erika Petrlenicova* consulting firm, is available on CNR's webpage: [www.cnr.fr](http://www.cnr.fr) heading: Publications CNR Europe. This document displays a synthesis that underlines the capital points and compares them with the French RFT. For any further information, please contact Mr. Alex Ugurlu at the CNR, [a-ugurlu@cnr.fr](mailto:a-ugurlu@cnr.fr).

## General economic framework

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Slovenia is a genuine economic, geographical and cultural crossroads. Known as "the Eastern Switzerland", it has been a member of the European Union since 2004 and was the first NMS to adopt the single currency. Its economy is highly dependent on export. As its main customers are Italy, Germany and Austria, the economic situation of these partners has a direct impact on the Slovenian economy.

As for infrastructure, it seems to be the best-served country in the region. Two European corridors cross this country, which controls part of the transport operations between Western Europe and the former Yugoslavia, Bulgaria, Greece and Turkey. In other words, it is a bridge between the main consumer markets and the major production clusters in Europe.

The country's GDP has reached 83% of the European average. Its population is young, with high employment rates. The educational and training systems are supported by a number of aid packages for the recruitment of young workers. Thus, youth unemployment has decreased since 2007, whereas general unemployment has increased over the same period. The issue of ageing population is expected to seriously affect the country in the years to come. Fertility rates are the lowest in Europe. The situation is accentuated especially since the country struggles to attract migrants.

Slovenia devotes 3% of its GDP to research and development, and strategically aims to focus on service sectors with high added value. Investment is mostly financed by the Italian and Austrian neighbours. Yet, this economic strategy, which seemed to be a success until 2007, is currently at a standstill. FDIs have decreased since the beginning of the crisis, thus hampering economic development in the fields of interest, whereas salaries have

risen to get close to the level of countries such as Spain or Greece, after overtaking that of Portugal. Although the transition to the Western economy is not yet fully implemented, the rise in the cost of labour has resulted in relocations to more Easterly countries, especially to neighbouring Croatia, which has just joined the European Union.

## Organisation and evolution of the RFT sector in Slovenia

RFT is an intensive business in the Slovenian economy and is regarded as an indispensable complement to the export industry. Haulage Companies are also a symbol of the liberalisation and success of the new economic system based on small businesses.

In terms of activity, RFT does not exhibit any more the growth rates it used to before 2008, although it still seems to have weathered the crisis. In 2011, the Slovenian flag had exceeded its 2008 tonne/kilometre record. Figures dropped somewhat in 2012. Compared to France, Slovenia's RFT activity is 11 times less, while its population is 32 times less and its economy 57 times smaller than France's. As for international RFT, it is to be noted that the Slovenian flag's activity is almost equal to that of France.

RFT* evolution in France and Slovenia							
Transport Total							million of t-km
	2006	2007	2008	2009	2010	2011	2012
France	211,445	219,212	206,304	173,621	182,193	185,685	172,060
Slovenia	12,112	13,734	16,261	14,762	15,931	16,439	15,888
Domestic Transport							million of t-km
	2006	2007	2008	2009	2010	2011	2012
France	182,753	191,388	181,879	156,021	164,325	168,242	156,079
Slovenia	2,279	2,573	2,636	2,276	2,288	2,177	1,949
International Transport							million of t-km
	2006	2007	2008	2009	2010	2011	2012
France	28,692	27,824	24,425	17,600	17,868	17,443	15,981
Slovenia	9,834	11,161	13,625	12,486	13,643	14,262	14,039

\* in EU + Norway + Switzerland + Liechtenstein

Source : Eurostat

Adaptability is among the strengths of this sector. As a matter of fact, there are many micro- and small businesses in the RFT sector. Just like the Spanish "autonomos" and the Italian "padroncini", the Slovenian owner-drivers contribute in optimising the means of transport, and their efficiency is acknowledged in the region. Thanks to their responsiveness and limited costs, they compete directly with their Italian neighbours. They are often the subcontractors of Italian companies, which tend to focus on logistics. According to the administrative managers in the sector, these owner-drivers may well be the key to the Slovenian flag's success as they ensure the transition from wage-earning to self-employment. A number of large transport Company leaders are thought to originate from this socio-economic process. But on the downside, some companies do not hesitate to strongly encourage their employees to adopt this status in the name of "flexibility and profitability".

The Slovenian hauliers are granted administrative facilitations to obtain the Community licence. They do not need to own a HGV to set up a transport Company, as purchase can be replaced by rental. In addition, the professional bodies can become guarantors for the financial capacity.

As for road regulations and infrastructure, a major effort toward modernisation and integration to Western Europe has been undertaken in Slovenia, which seems to have supported the country's international activity in Europe. On the other hand, at social level and in transport organisation, the Slovenian flag still conforms to the Eastern European standards.

## Operating conditions and costs

It is plain to see that the cost structure of a Slovenian RFT Company approximates that of the other Eastern European countries. Typically, the average annual mileage is very high and labour costs are moderate.

According to the interviews conducted with some haulage Companies, the cost per kilometre excluding structural costs is 26% lower than that recorded in France by CNR. The main differences appear with the cost of drivers and that of maintenance-repair. Actually, the significant toll costs that are borne by the Slovenian hauliers together with high fuel consumption are variables associated with the nature of the main markets in the sector, which are concentrated in the Alps region.

<b>Comparison of operating conditions and costs excluding structural costs, for a 40-tonne HGV 2013 values</b>			
	unit	France	Slovenia
Yearly mileage of vehicle	km	111,830	135,450
Number of operating days	days/yr	229	241
Semitrailer/tractor ratio		1.35	1.12
Driver cost	€/yr	44,862	24,033
Driver/tractor ratio		1.07	1.05
Yearly cost of vehicle financing and possession	€/yr	13,777	13,713
Average consumption per 100 km	litres	33.4	35,7
Fuel cost. 2013 average (1)	€/litre	1.08	1.07
Fuel cost	€/yr	40,407	50,741
Tyres	€/yr	3,254	3,700
Maintenance-repair	€/yr	8,689	4,800
Tolls	€/yr	8,828	13,500
Insurance (vehicle)	€/yr	2,702	2,850
Axle tax and other vehicle taxes	€/yr	516	0
<b>Synthesis – cost price (except structural costs)</b>		<b>128,315</b>	<b>115,715</b>
Cost/mileage ratio per annum	€/km	1.15	0.85
Base 100 France		100	74

(1) after partial recovery of TICPE in both countries

Source : CNR european studies

As the distribution networks of some manufacturers are not sufficiently developed in Slovenia, the selling prices of new commercial vehicles remain higher than in some neighbouring countries. In order to limit costs, the Slovenian hauliers often resort to bank loans to be able to purchase their vehicle in Italy or Germany. Therefore, the leasing funding method, which is solely available in the case of a purchase within Slovenia, is poorly developed. Another country exception, the Slovenian hauliers are believed not to be subject to the axle tax<sup>1</sup> (or other similar tax). In return, they are not allowed to drive on trunk or secondary roads on routes where there is a motorway. All of them are toll motorways.

<sup>1</sup> All Slovenian actors we met stated that there is no axle tax, but no statutory instrument could be found.

## Driver employment and cost conditions

According to the general labour regulations, working time is 8 hours a day, i.e. 40 hours a week. Overtime is limited to 8 hours a week, 20 hours per month, 180 hours per year and 4 weeks paid leave. There are 12 official bank holidays. The work load is theoretically limited to 2,020 hours a year. However, no overtime whatsoever could be found on the payslips we gathered during the interviews, and the drivers are granted an exemption from the general rules, thus enabling them to work more, in line with the European regulations. Yet, their driving times are in average 8% lower than those of their Eastern European colleagues.

The Slovenian minimum salary amounts to 783.66 € and there are no collective agreements in the transport sector. Drivers are often paid slightly above the minimum salary. Just like any employee does, they also receive a holiday bonus, sometimes on a monthly basis, which may be regarded as a 13<sup>th</sup> month. Kilometre-based payment prevails, with a rate close to 0.14 €/km. Officially, it is often displayed on the payslip as travel expenses.

While the drivers' workload and gross salary tend toward what is observed in Western Europe, the Slovenian government strives to limit labour costs by reducing the employers' contributions (currently 16.1%) and by transferring some of the burden to the employees. The income tax is high. Overall, the cost of one hour's drive is assessed at 43% of the French cost, vs. 35 to 40% for the other Eastern European flags.

Comparison between the cost of drivers in France and in Slovenia, 2013 values			
	Unit	France	Slovenia
Gross salary (miscellaneous bonuses and overtime included)	€/year	28,740	11,340
Travel expenses	€/year	8,724	10,868
Employer contributions (after deduction of state aids)*	%	32.7%	16.1%
Employer contributions in absolute terms	€/year	9,398	1,826
Annual cost total	€/year	46,862	24,033
Number of actual working days per year	day/yr	215	242
Working time per year	hour/yr	1,546	1,840
Annual mileage		104,514	129,000
Cost of one hour's work	€/h	30.31	13.06
Base 100 France		100	43
Cost per kilometre	€/km	0.45	0.19
Base 100 France		100	42

\*after Fillon deductions in France

Source : CNR European Surveys

In conclusion, despite its deep integration in the European network and the full liberalisation of the Slovenian economy, the RFT sector seems to follow the Eastern European model, still with high workloads. Driver cost remains quite moderate although minimum salaries are relatively high at first sight, but is partly offset by low social contributions. There is no lack of proactive policies aiming to anchor the country into Western Europe. Slovenia is fostered and supported by the European Union as well as the IMF and the World Bank to achieve its economic transition.