

Road freight transport in Luxembourg

Abstract

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Most of Luxembourg's economic sectors are internationally-focused. Road freight transport is no exception to this rule, since 87% of its transport is carried out internationally.

Luxembourg is known primarily for its attractive tax system and strong financial sector. The latter represents more than a third of its GDP. This is a strength, but also a weakness since the national economy is highly sensitive to international financial turmoil. The growth targets for 2017 were not achieved due to the disappointing performance of this sector. Nevertheless, Luxembourg has many assets linked to its political and social stability, a skilled and multilingual workforce and state-of-the-art infrastructure. The second richest country in the world in terms of GDP per capita (first in the EU), its unemployment rate is one of the lowest in Europe and its public debt is under firm control. At present, Luxembourg is making numerous efforts to diversify its economic activities, focusing in particular on the knowledge economy.

A large part of GDP is driven by the commercial (as well as non-commercial) tertiary sector (including the transport sector). The capital is home to several European services and institutions, including the European Commission, the European Court of Auditors and the Court of Justice. The tertiary sector employs 87% of the working population and produces more than 86% of the country's wealth. Half of this sector consists of financial and property services. The secondary sector accounts for 13.4% of GDP and employs about 12% of the working population. Its main activities revolve around the production of iron and steel, although the country is now promoting the chemical, plastics and light engineering sectors. The primary sector contributes a tiny part to the Luxembourg economy (0.3% of GDP) and employs about 1% of the working population. The country's main agricultural products are wine, wood, cereals and potatoes.

On the road freight transport side (RFT), the economic situation of companies in the sector is positive. The shortage of drivers observed in most Western countries seems less of a concern than elsewhere, according to the interviewed hauliers. This is due to the attractiveness of the generous wage conditions in Luxembourg.

The latest business surveys on non-financial services prepared by the National Institute of Statistics and Economic Studies (STATEC) show positive signs for the future. Throughout the first quarter of 2018, the mood among entrepreneurs, including hauliers, was good. They were confident about the financial situation of their companies and about future demand.

To monitor the evolution of the RFT sector in Luxembourg against the background of the broader European context and explain the various components of this sector, the CNR publishes an update of its 2013 study, realized in 2018. This new study involved 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 study 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

Between 2000 and 2017, the size of the Luxembourg population increased by 37%. The population now exceeds 600,000 and could double by 2060 according to some macroeconomic projections. This demographic growth is boosting the construction and distribution sectors. It is particularly beneficial for road freight transport.

Due to its central position, Luxembourg is regarded as an important operational base for transport and logistics activities. Public transport policies are designed above all with an international context in mind, with the aim of improving cross-border connections and the implementation of sectoral road plans aimed at making traffic more fluid (exchange points, suburban railway stations, car parks). Luxembourg is a transit country and faces significant traffic congestion on its road network. Congestion is due in particular to bargain refuelling costs linked to fuel

prices that are among the lowest in Europe. As in other countries, Luxembourg is now seeking to promote modes of transport that promote sustainable development, such as rail or inland waterways, but road transport remains the dominant mode of transport, followed by Inland waterways and then rail, which together account for about 12% of the tonne-kilometres of inland freight transport .

The country has modern infrastructure. Luxembourg International Airport (Findel or Lux-Airport) is the sixth-largest European freight airport. The rail network has specialised freight and commercial inland waterway transport subsidiaries that are well organised for the shipment of raw materials, agricultural products, iron and steel, and petroleum products to other inland destinations or to the North Sea.

The road network in the Grand Duchy of Luxembourg is well maintained. It consists of motorways and regional roads, which are managed by the Civil Engineering Administration. As in Denmark, the Netherlands and Sweden, heavy goods vehicles must pay for the Eurovignette in order to use certain roads in Luxembourg.

Activity growth in Luxembourg’s RFT sector

With 9,414 million tonne-kilometres achieved in 2017, the Luxembourg RFT sector accounts for 0.5% of the RFT activity of the 28 EU Member States. Its level of activity has been relatively stable over the past ten years. It is significant that international transport accounts for more than 87% of total activity. Cross-trade RFT activity is the most common activity for the Luxembourg sector (38%), which is explained by the size and geographical position of the country. In this market segment, Luxembourg is one of the most dynamic Western countries, very similar to Spain, the Netherlands and Germany.

RFT* evolution in France and Luxembourg											
Transport Total											million of t.km
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Ratio t.km/GDP 2017
France	206,304	173,621	182,193	185,685	172,445	171,472	165,225	153,580	155,843	167,691	73
Luxembourg	8,965	8,400	8,694	8,835	7,950	8,606	9,599	8,850	9,324	9,414	170
Domestic Transport											million of t.km
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Ratio t.km/GDP 2017
France	181,879	156,021	164,325	168,242	156,449	155,712	151,112	141,242	144,205	155,876	68
Luxembourg	555	530	574	650	1,044	777	1,128	1,103	1,192	1,211	22
International Transport											million of t.km
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Ratio t.km/GDP 2017
France	24,425	17,600	17,868	17,443	15,996	15,760	14,113	12,339	11,638	11,815	5
Luxembourg	8,410	7,870	8,120	8,185	6,906	7,829	8,471	7,746	8,131	8,203	148

* in EU + Norway + Switzerland + Liechtenstein

Source: Eurostat

While the proportion of international transport remains staggeringly high in the Luxembourg RFT sector, it is worth noting that the contribution of national transport has been steadily increasing since 2008, with an average annual growth rate of nearly 10%. While in 2008, the share of national transport represented only 6% of total activity, it now accounts for 13%. Unusual event among its European partners, own-account transport now makes up almost half of the tonne-kilometres carried out by the Luxembourg RFT sector. Large groups in the construction sector, but also in the distribution sector, have their own fleets.

Between 2008 and 2017, it was mainly in the cabotage transport business that results declined, with a share of the business falling by more than 7%. Cross-trade RFT activity, although still dominant, also declined over this period (down 5%). As a percentage of GDP, total road freight transport activity in Luxembourg (t.km) is twice as high as in France. This phenomenon is mainly due to a greater openness to international transport.

Operating conditions and costs

In the framework of its international studies, CNR conducts interviews with local hauliers and drivers in order to observe the market and estimate conditions and vehicle operating costs. CNR also meets with professionals in the sector and administrative authorities involved in transport policies.

Luxembourg has 414 RFT firms, more than 83% of which are international in scope. The sector employs about 7,187 people, 75% of whom are estimated to be drivers. Drivers, most of whom are of foreign origin, choose to work in the Luxembourg sector not only because of the high wage levels, but also because of the convenience of the working hours, with the majority of them returning home on weekends.

Analysis of the results obtained through interviews, documentary research and an examination of the regulations in force shows that Luxembourg's operating costs are close to those observed in France.¹

The cost per kilometre in Luxembourg is 3% lower than the French rate. This difference is mainly due to very low fuel costs in Luxembourg, thanks to excise duties on diesel fuel that are among the lowest in Europe (€33.5/hl).

In Luxembourg, the annual mileage is also higher with a slightly lower number of working days, thereby enhancing vehicle productivity.

Comparison of operating conditions and costs excluding structural costs, for a 40-tonne HGV 2018 values			
	unit	France <i>Statistics</i>	Luxembourg <i>Simulation</i>
Yearly mileage of vehicle	km	115,320	118,450
Number of operating days	days/yr	229	226
Semitrailer/tractor ratio		1.44	1.20
Driver cost	€/yr	47,925	50,386
Driver/tractor ratio		1.05	1.03
Yearly cost of vehicle financing and possession	€/yr	15,810	15,689
Average consumption per 100 km	litres	31.4	30.5
Fuel cost. 2018 average (1)	€/litre	1.02	0.9386
Fuel cost	€/yr	36,935	33,909
Tyres	€/yr	3,114	3,435
Maintenance-repair	€/yr	9,185	8,765
Tolls	€/yr	10,016	10,750
Insurance (vehicle)	€/yr	2,367	2,270
Axle tax and other vehicle taxes	€/yr	516	765
Synthesis – cost price (except structural costs)		128,264	127,480
Cost/mileage ratio per annum	€/km	1.11	1.08
Base 100 France		100	97

(1) after partial recovery of excise duties in France

Source : CNR European studies

Employment conditions and driver employment costs

In Luxembourg, the statutory weekly working week is limited to 40 hours.

Drivers are paid on the basis of a monthly or hourly rate set by a collective agreement. This rate is increased by 40% for overtime hours exceeding 173 hours/month. The travel allowance for drivers who spend more than 24 hours abroad is a lump sum. It amounts to €23.05 per day.

Transport companies have low employer contribution rates, which amount to 15.01% of gross salary, compared to more than 30% in France. For employees, this figure is only 12.45%. In general, these contributions apply only to the fixed portion of income and not to overtime, which in addition is exempt from income tax.

¹ French frame of reference based on the annual CNR EA long-distance survey, 2018

Thanks to the various tax relief schemes, the final employer contribution rate ends up being only 12.7% in the case of a typical driver profile, as analysed by CNR.

While gross Luxembourg salaries for RFT drivers are 34% higher than gross French salaries, the low levels of travel allowances and reduced contribution rates nevertheless reduce this additional salary cost, which amounts to 5%.

For an almost equal number of working days, the hourly cost of driving in Luxembourg remains 4% lower than that of a French driver due to a much higher number of driving hours. This gap has not changed since the previous CNR study on the Luxembourg RFT sector in 2013.

Comparison between the cost of drivers in France and in Luxembourg 2018 values			
	Unit	France <i>Statistics</i>	Luxembourg <i>Simulation</i>
Gross salary (miscellaneous bonuses and overtime included), subject to social contributions nor to income tax	€/year	30,552	40,904
Travel expenses and other elements of remuneration not subject to social contributions nor to income tax	€/year	9,765	4,302
Employer contributions (after deduction of state aids)*	%	30.9%	12.7%
Employer contributions in absolute terms**	€/year	7,607	5,179
Annual cost total	€/year	47,925	50,386
Number of actual working days per year	day/yr	218	220
Driving time per year	hour/yr	1,602	1,760
Annual mileage		109,829	115,000
Cost of one driving hour	€/h	29.92	28.63
Base 100 France		100	96
Cost per kilometre	€/km	0.44	0.44
Base 100 France		100	100

*after Fillon deductions in France

Source : CNR European Surveys

** after deduction of the tax credit for competitiveness and employment (CICE) in France

A Luxembourg driver drives more kilometres during the year (+5%) and drives 10% longer time than their French counterpart, and this at an equivalent annual cost per kilometre.

Thanks to flexible labour regulations, a positive economic context, combined with a favourable tax environment for companies, particularly with regard to employer contributions, the Luxembourg sector remains more competitive than its French counterpart.