

CNR EUROPEAN STUDIES

## The Spanish RFT sector - a summary

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Spain was one of the countries most affected by the 2008 financial crisis. After joining the European Union in 1986, the country developed rapidly towards the end of the 20<sup>th</sup> Century and reached an economic and social level close to that of its western European neighbours. The country positioned itself as a manufacturing and agricultural production centre, obtaining supplies of raw materials and intermediate products and then exporting finished products, such as food. Spain's road freight transport (RFT) sector, while slightly out on a limb due to the country's geographical location, was a major player in the European RFT market for many years, especially the international segment.

Over the past decade, the Spanish RFT sector has become less and less competitive in the international RFT business, in the face of its eastern European rivals, as well as seeing both internal and external demand fall as one of the major effects of the 2008 crisis. Since then, measures have been taken at national level and Spain's economy appears to be growing again. CNR's last study of the Spanish RFT sector, conducted over the course of 2010, showed the sector to be in a fragile state and looking for cost savings in order to adapt to an economic environment still in crisis.

How is the Spanish RFT sector faring today? Has the damage caused by the financial crisis been repaired? What essential measures have been taken? To answer these questions and update its 2010 study of the Spanish RFT sector, CNR conducted a new full study between May and December 2015.

This 2015 version of the study was carried out in partnership with transport expert Philippe Auqui re of Conseil Energie et Transports consultants. It can be viewed on the CNR website at: [www.cnr.fr](http://www.cnr.fr), under the section Publications CNR / Europe. This document provides a summary of the main points and draws a comparison with the French RFT sector. For any further information, please contact Alex Ugurlu at CNR, [a-ugurlu@cnr.fr](mailto:a-ugurlu@cnr.fr).

### **Economic framework and transport infrastructure**

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In the post-Franco era, Spain enjoyed a flourishing domestic market and an outward-looking, export-based economy, with export levels breaking European records. However, these statistics masked some significant imbalances, especially in the construction and financial sectors. The result was a severe recession post-2008. The country's GDP fell 7% between 2007 and 2013, while unemployment soared to 27% of the working-age population and public debt reached 93% of GDP. The debt could only be financed at high rates, which made the situation worse. Spain officially exited the European financial assistance programme on 22 January 2014, with the help of some socially and economically difficult measures, such as the bail-out and reform of the banking sector, reduction of the public deficit and an "internal devaluation" entailing lower wages. 2015 was the year the country returned to strong growth and lower unemployment, with a growth rate of 3.2% and unemployment at 20.8% at the year end.

In terms of transport infrastructure, Spain is often held up as an example. The country's motorway and rail networks seem to be as efficient as in other western countries. With 14,701km of toll motorways and fast lanes and almost 2,300 km of high-speed railway lines, Spain is one of Europe's leaders in the field. It also has large international ports: Algeciras, Barcelona, Valencia and Bilbao. In terms of energy, the country recently took the plunge to invest in renewables such as solar power, and the main large-scale plants have come on-line over the last five years.

On the logistics scene, however, development is lagging behind. Apart from the logistics centres around industrial zones, major cities and the main ports, the country still seems to lack a coordinated policy between government authorities and the private sector, which would create a more integrated logistics sector.

## Activity growth and structure of Spain's RFT sector

The drop in the Spanish RFT sector's activity reached -25% between 2007 and 2013. In 2014, it posted its first growth in activity since the beginning of the financial crisis with an increase of 3,000 t.km. According to the trade associations' provisional estimates, the 200,000 million t.km mark should have been hit once again in late 2015.

To be specific, it was the domestic RFT segment in particular that was affected by this strong downturn. In the international segment, Spanish hauliers managed to find alternative markets in the period 2007–2014. This meant that the fall in bilateral international business caused by the slow-down in the country's foreign trade was offset by transport between third countries, where the volume doubled. Taking everything into consideration, this adjustment seems to have enabled the international RFT sector to return to its pre-crisis level.

RFT* evolution in France and Spain								
Transport Total								million of t-km
	2007	2008	2009	2010	2011	2012	2013	2014
France	219,212	206,304	173,621	182,193	185,685	172,060	171,472	165,225
Spain	258,875	242,983	211,895	210,068	206,843	199,209	192,597	195,767
Domestic Transport								million of t-km
	2007	2008	2009	2010	2011	2012	2012	2014
France	191,388	181,879	156,021	164,325	168,242	156,079	155,712	151,112
Spain	190,611	175,184	151,060	146,194	142,323	133,368	126,997	128,157
International Transport								million of t-km
	2007	2008	2009	2010	2011	2012	2013	2014
France	27,824	24,425	17,600	17,868	17,443	15,981	15,760	14,113
Spain	68,264	67,799	60,835	63,874	64,520	65,841	65,600	67,610

\* in EU + Norway + Switzerland + Liechtenstein

Source : Eurostat

As regards the structure of Spain's RFT sector, it has some 110,000 businesses and almost 210,000 vehicles over 3.5 tonnes. The presence of sole self-employed hauliers ("autonomos") is a major feature of the sector. It emerged from interviews with businesses that some of the major RFT companies have opted for complete outsourcing of their haulage services, focusing their energies instead on shipping organisation and logistics. A keenness to develop resilience to economic shocks is shared by the majority of operators, both in terms of finding customers and in terms of personnel management. Subcontracting is therefore a must. At times of busy seasonal activity, Spanish hauliers do not hesitate to hire temporary eastern European workers on Spanish contracts.

CNR's 2010 study of the Spanish RFT sector highlighted the practice of hiring Romanian drivers on poorer pay and employment conditions as an initial response to the impact of the financial crisis. This practice led CNR to draw up a specific "low-cost" profile. In 2015, the few remaining eastern European drivers still present are now integrated into the system, on an equal footing with their Spanish colleagues and on the same employment and pay conditions. The shock of the economic crisis seems to have been absorbed, thanks partly to the Government's efforts to contain and even lower the cost of labour and make the market more flexible. This means, however, that employees have had to accept sacrifices in terms of wages and rights.

Spain's main trade associations are CETM and ASTIC. The association of self-employed hauliers (ATA) also plays an important role. Businesses have a similar legal form as in France. There are over 400 cooperatives in Spain's RFT sector, often with a large number of self-employed drivers. To promote concentration in the sector, since 2007 the State has required new haulage companies to have at least 3 vehicles two years old or less, with overall maximum permissible load of at least 60 tonnes. Drivers who want to start out as self-employed hauliers therefore take over a business that was established pre-2007.

## Operating conditions and costs

The following data on the operating conditions and costs of a typical haulage business in Spain were obtained from interviews with hauliers based in the country's various provinces and local drivers. These results are then compared with CNR's findings in France.

The way in which vehicles are operated in Spain is strongly influenced by the economic activity of the region in question and on whether it is seasonal in nature. Hauliers tend to organise their business with a view to providing a flexible service. The variable they can adjust in this context is subcontracting to self-employed drivers. These drivers, who are often organised as cooperatives, charge for the services in the form of a fixed fee per journey.

As regards using their own vehicle fleet, businesses try to make them as profitable as possible and not overinvest in trailers and semitrailers. The mileage covered by the vehicles and high number of days' operation illustrate this practice. Like other countries' RFT sectors, the use of "wild card" drivers is widespread.

Of all the cost items, vehicle ownership costs are lower than those observed in France, despite Spain's higher interest rates. The difference is due to the length of time vehicles are kept, which is greater than in France. The cost of tyres and tolls is directly influenced by intensive usage of the vehicles. However, despite recent decreases in the cost of vehicle insurance, this cost item is still higher than in France.

On average, a Spanish vehicle covers 30,000km more per year than a French vehicle. The vehicles' average fuel consumption is around the mean observed in Europe among RFT sectors with a strong international presence. Taking into account partial excise duty rebates in both France and Spain, the fuel prices are lower in Spain. However, few Spanish businesses invest in a fuel tank. Most prefer to have a contract with their chosen distributor for their fill-ups across Europe. The distributors often sell a package that includes services such as VAT rebate and partial excise duty rebate collection or ferry booking, alongside attractive fuel prices.

HGV tax is lower in Spain, but is topped up by other provincial or regional taxes.

Comparison of operating conditions and costs excluding structural costs, for a 40-tonne HGV 2015 values			
	unit	France	Spain
Yearly mileage of vehicle	km	114,970	145,403
Number of operating days	days/yr	230	259
Semitrailer/tractor ratio		1.38	1.25
Driver cost	€/yr	46,744	37,892
Driver/tractor ratio		1.07	1.07
Yearly cost of vehicle financing and possession	€/yr	14,694	14,083
Average consumption per 100 km	litres	32.1	31.0
Fuel cost. 2015 average (1)	€/litre	0.914	0.888
Fuel cost	€/yr	33,724	40,082
Tyres	€/yr	3,219	3,800
Maintenance-repair	€/yr	8,692	5,500
Tolls	€/yr	9,036	15,200
Insurance (vehicle)	€/yr	2,239	2,600
Axle tax and other vehicle taxes	€/yr	516	1,010
<b>Synthesis – cost price (except structural costs)</b>		<b>122,136</b>	<b>122,820</b>
Cost/mileage ratio per annum	€/km	1.06	0.84
Base 100 France		100	80

(1) after partial recovery of TICPE in France and in Spain

Source : CNR european studies

## Employment conditions and driver employment costs

The 2008 financial crisis and the change of government in the ensuing period resulted in a restructuring of Spain's labour market. To enable more flexibility, it was made easier to fire employees and wages were lowered. Redundancy payments were also reduced and capped.

The minimum salary under ordinary law is 649 euros per month over a 14 month period. However, drivers' salaries vary widely, due to the large number of collective agreements. There is one collective agreement per province, making 54 in total. Although some of these have lapsed due to the renegotiation deadlines not being met, the provincial collective agreements for the RFT sector lay down the level of drivers' basic salary, long service bonus, another bonus called the "collective agreement bonus" and annual bonuses (13<sup>th</sup> and 14<sup>th</sup> months), plus payment terms and dates, other one-off bonuses or gratuities and the travel allowance rate. One driver's pay under a collective agreement can therefore be double that of another, depending on the province.

As regards employment conditions, the collective agreements do not provide for automatic higher rates of pay for night work or work on Sundays and public holidays. Instead, this working time is usually offset by hours or days off in lieu or one-off gratuities. The statutory number of working hours set by the collective agreements is between 1,684 and 1,826 per year. Since the most recent labour law reforms, it is no longer compulsory to pay a higher rate for overtime. The number of public holidays per year is between 14 and 17, depending on the region or autonomous community in which the business is based. Employees are entitled to a minimum of 22 days' paid leave per year. In addition to temporary and permanent employment contracts, there is a third type of contract called an "interruptible permanent contract", which allows the business to let an employee go for a certain predetermined period. For example, in areas where work is highly seasonal, employees may be hired for 9 months of the year. For the remaining 3 months, they can work elsewhere or choose unemployment, before returning to their original job.

Wages are calculated according to a formula that is usually based on a basic salary close to the collective agreement minimum, plus various bonuses. For international work, salaries are often topped up by daily travel allowances, worked out either according to the number of days' actual work outside the country or on a per-kilometre basis. Per-kilometre allowances are in fact becoming the norm and have begun to be recognised in some collective agreements. These bonuses can act as a substitute for overtime or night driving payments.

Comparison between the cost of drivers in France and in Spain, 2015 values			
	Unit	France	Spain
Gross salary (miscellaneous bonuses and overtime included), subject to social contributions nor to income tax	€/year	29,136	19,878
Travel expenses and other elements of remuneration not subject to social contributions nor to income tax	€/year	8,780	10,738
Employer contributions (after deduction of state aids)*	%	30.3%	36.6%
Employer contributions in absolute terms	€/year	8,828	7,275
Annual cost total	€/year	46,744	37,892
Number of actual working days per year	day/yr	215	242
Working time per year	hour/yr	2	2
Annual mileage		107,449	135,891
Cost of one hour's work	€/h	30.27	19.52
Base 100 France		100	64
Cost per kilometre	€/km	0.44	0.28
Base 100 France		100	64

\*after Fillon deductions in France

Source : CNR European Surveys

Five years after CNR's last study of the Spanish RFT sector, this new survey reveals that employment reforms have enabled the sector to keep driver costs down, while at the same time increasing productivity. The Spanish RFT sector is therefore adapting to the new economic situation, both in structural terms and in terms of cost management. It is holding up on the international market in spite of strong competition from eastern Europe. However, the future will not be entirely rosy until demand increases once again.