

CNR EUROPEAN STUDIES

# Road freight transport in Germany

## Abstract

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As a centrally important state in the European Union, Germany has been one of the world's leading powers since the boom of the post-Second World War era, thanks to its internationally focused economic activity. In terms of European road freight transport (RFT), its sector was ranked first for international activity until 2007 before being outpaced by the Polish sector.

In 2009, Germany was severely affected by the global economic crisis, but the country recovered rapidly and recorded growth of +4.1% beginning in 2010. The German economy has a high value-added export base, including cars and other industrial products. Moreover, the increase in household consumption has enabled Germany to maintain its flourishing economy.

The German RFT sector also remains dynamic. In 2016, the sector maintained first place in terms of the ranking of total activity, followed very closely by Poland, thanks in particular to sustained national activity.

In order to better understand the place of the German sector in the European context, the CNR carried out a study on the German RFT sector between 2017 and 2018. It was conducted in collaboration with Laurent Guihery, professor at Cergy-Pontoise University, an expert in transport studies. The complete version can be viewed on 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

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With a population of almost 82.8 million inhabitants, Germany is the largest and most populated country in the European Union. In 2016, the country was the leading European economy and the fifth largest in the world. Its network of medium-sized, intermediate-sized, innovative and export-oriented companies (i.e. the *Mittelstand*), enables the German economy to remain internationally oriented.

After contracting sharply – 5.6% during the global economic crisis of 2009 –, growth is picking up again. It rose by 1.4% in 2018 but appears to have been weakened by international trading tensions in 2019. The unemployment rate is subject to the same variations. It experienced a significant increase in 2009 rising to 7.6 %, before declining continuously until 2018 to reach 3.3 %. The forecasts for 2019 point to a declining or even stagnant growth rate.

In terms of infrastructure, investments are planned under the German federal infrastructure development plan. A total budget of €264.5 billion is allocated to cover all land transport infrastructures: road, rail and inland waterways. Public investments are thus under way to improve the German road network (see details on page 10 of the study). In the rail sector, the federal government has selected 29 projects and is starting work to modernise and upgrade lines with a view to increasing the number of freight trains. When it comes to ports, Germany stands out with the port of Hamburg, the third largest container port in Europe. In 2018, 135.1 million tonnes of freight passed through Hamburg port.

## Evolution of the RFT sector in Germany

German road freight transport, the international leader until 2007, is now mainly domestically-focused, accounting for 86% of the sector's total activity. The sector seems to no longer be able to compete with Eastern European sectors. The increase in wages and the shortage of drivers adversely affecting the activity of carriers.

RFT* evolution in France and Germany										
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
Germany	341,532	307,547	313,104	323,833	307,009	305,744	310,142	314,816	315,774	100
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
Germany	264,545	245,568	252,462	265,025	254,499	256,721	263,032	269,650	271,679	86
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
Germany	76,987	61,979	60,642	58,807	52,510	49,022	47,110	45,166	44,095	14

\* in EU + Norway + Switzerland + Liechtenstein

Source: Eurostat

Thus, the German sector recorded a slight decrease in its RFT activity, i.e. -0.98% per year, over the period 2008-2016. The German sector managed to maintain its domestic activity, posting an increase of +0.33% per year over 8 years. Germany thus remains the domestic champion and retains first place in terms of overall activity, followed very closely by Poland. The decline, which has been pronounced in the international arena, was - 6.73% per year over the same period. The German sector seems to be holding up well, by concentrating on certain niches, such as the high end of the market.

## Operating conditions and costs

In the framework of its international studies, the CNR organises interviews with local carriers and drivers in order to evaluate conditions and operating costs and to observe the market. In 2017 and 2018, the CNR met face to face with approximately 10 representatives of companies and around 20 drivers working under German contracts at car parks and rest stops in the Saarland region, in Saint-Priest and in Flensburg.

Comparison of operating conditions and costs excluding structural costs, for a 40-tonne HGV 2018 values			
	unit	France <i>Statistics</i>	Germany <i>Simulation</i>
Yearly mileage of vehicle	km	115,320	130,000
Number of operating days	days/yr	229	240
Semitrailer/tractor ratio		1.44	1.25
Driver cost	€/yr	47,925	42,756
Driver/tractor ratio		1.05	1.12
Yearly cost of vehicle financing and possession	€/yr	15,810	16,327
Average consumption per 100 km	litres	31.40	29.80
Fuel cost. 2018 average (1)	€/litre	1.0200	1.073
Fuel cost	€/yr	36,935	41,556
Tyres	€/yr	3,114	2,700
Maintenance-repair	€/yr	9,185	7,800
Tolls	€/yr	10,016	15,725
Insurance (vehicle)	€/yr	2,367	3,000
Axle tax and other vehicle taxes	€/yr	516	929
<b>Synthesis – cost price (except structural costs)</b>		<b>128,264</b>	<b>133,808</b>
Cost/mileage ratio per annum	€/km	1.11	1,05
Base 100 France		100	94

(1) after partial recovery of excise duties in France

Source : CNR European studies

As a reminder, in the previous studies, CNR observed significant differences in operating costs and conditions according to whether the German RFT companies were located in the western or eastern Länder. However, in this new study, the CNR has observed significant harmonisation due in particular to the introduction of the minimum wage at the national level. Drawing a distinction between the Länder in the West and the Länder in the East is no longer necessary.

The annual mileage per vehicle, as recorded in the 2012 CNR survey, is higher in Germany than in France and continues to grow. However, the number of kilometres driven and the number of operating days has decreased since the previous study.

As regards vehicle financing, leasing is currently the most widely used method of financing by German carriers. It now runs for 5 years, often with no purchase option. The significant fall in interest rates in recent years would have had a major impact on the behaviour of entrepreneurs. Manufacturers are offering attractive contracts, with all services included (tyres, maintenance, insurance) at less than €2,000 per month for a new tractor, with full options.

Fuel costs in Germany are also higher than in France, €41,556/year compared with €36,935/year. There are two reasons for this: the annual mileage, 130,000 km/year, and the unit cost of fuel, €1.073/litre, higher than in France. As a reminder, no partial reimbursement mechanism of excise duties has been put in place in Germany.

Furthermore, vehicle insurance practices vary greatly in Germany and very dependent on the size of the company. According to experts, the annual cost of insurance for a 40-tonne truck is estimated at €3,000/year, which is significantly lower than in 2012. There are two reasons for this fall: competition in the insurance market and the inclusion of insurance premiums in leasing contracts.

Decreases were also observed in the area of tyre costs and maintenance-repair costs compared to the previous study. Here again, there are several reasons for these figures, such as the more frequent renewal of the fleet, the fall in annual mileage, the improvement in road conditions widespread use of manufacturer contracts.

Tolls remain one of the biggest cost items, costing €15,725/year. As a reminder, the German toll per kilometre (the Maut) represents almost 50% of the cost of tolls for German carriers operating internationally. As far as international activity is concerned, the cost of tolls depends greatly on the location of the carrier and the shipper. Specialists in the seaports market have a significant advantage thanks to the Eurovignette in the Netherlands, while the others suffer from high tolls in Austria, Switzerland and France.

Lastly, the motor vehicles tax (axle tax in France) in Germany remains the same as in 2012, i.e. €929/year for a 40-tonne, 5-axle, articulated vehicle.

### **Employment conditions and driver employment costs**

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German drivers are entitled to a minimum of 4 weeks of paid leave, which may be up to 30 days of paid leave depending on the individual. Most report having between 24 and 26 days leave and taking them in full.

Collective agreements are defined on a regional basis in Germany and are regularly readjusted, but not mandatory. As a reminder, certain collective agreements, especially in the eastern Länder, are obsolete and are therefore not used. In these cases, the market economy prevails. It would appear that wages are on the rise, particularly in the East, but this is not the case when it comes to travel allowances. The gap between the wages of drivers in the eastern and western Länder has narrowed in recent years, following the introduction of the national minimum wage in 2015. Thus, the average wage of German drivers in western Germany is €2,350 gross per month, compared with €2,200 gross per month for those in eastern Germany.

The typical schedule for a German driver would appear to consist of four nights away from home per week and a return to base every weekend, with this occurring systematically in 80% of cases.

In addition, the CNR observed that certain Eastern European drivers under German contracts apparently agree to trips lasting several weeks in the European Union. There is a growing phenomenon of European drivers from Eastern European countries being recruited due to the lack and the ageing of German drivers and their retirement. In most cases, these “Eastern” drivers are initially assigned to the long-distance international market. Unlike drivers of German origin, they accept tours lasting several weeks and do not expect to receive very high

salaries for so doing. This is also the reason why German international activity continues to survive. However, it should be stressed that this use of foreign drivers does not extend to the entire sector, 86% of which remains domestically focused. It only concerns companies with high levels of international activity.

In fact, today it is between German and foreign drivers that significant wage gaps can be observed. According to interviews carried out with road drivers, foreign drivers under German contracts would appear to receive a salary of between €1,550 and €1,800 gross per month, i.e. a salary well below that observed for local drivers.

For example, hauliers report that they have readily resorted to hiring drivers from Eastern Europe even if they do not speak German. The expectation of higher wages in Germany, as well as the proximity to Poland and the Czech Republic, seems to have prompted drivers from these countries to leave their countries.

Comparison between the cost of drivers in France and in Germany, 2018 values			
	Unit	France <i>Statistics</i>	Germany <i>Simulation</i>
Gross salary (miscellaneous bonuses and overtime included), subject to social contributions nor to income tax	€/year	30,552	29,100
Travel expenses and other elements of remuneration not subject to social contributions nor to income tax	€/year	9,765	7,392
Employer contributions (after deduction of state aids)*	%	30.9%	21.5%
Employer contributions in absolute terms**	€/year	7,607	6,264
Annual cost total	€/year	47,925	42,756
Number of actual working days per year	day/yr	218	217
Working time per year	hour/yr	1,602	1,720
Annual mileage		109,829	116,000
Cost of one hour's work	€/h	29.92	24.86
Base 100 France		100	83
Cost per kilometre	€/km	0.44	0.37
Base 100 France		100	84

\*after Fillon deductions in France

Source : CNR European Surveys

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

In conclusion, German carriers continue to benefit from a more competitive labour costs than in France. As a reminder, the cost of one hour drive of a German driver is 83% of the cost of one hour drive of his French counterpart. However, operating costs remain higher and partially counteract this advantage. In the international market, the German sector now has cheap foreign labour and continues to benefit from the existence of the large German industrial centres where MRT companies have chosen to establish themselves. The lack of drivers, rising tolls, environmental constraints and the fragility of international trade are all factors that will all be important in shaping the future of the German sector in the short term.