EUROPEAN CNR STUDIES

Road Freight Transport (RFT) in Poland - summary

9 March 2012 version

In the wake of the country's entry into the European Union in May 2004, the Polish RFT rapidly opened up to the European market, modernised its fleet and within a few years has become a formidable competitor to all countries in Europe. Today it challenges its European partners not only Europe-wide but also in their domestic markets.

According to Eurostat statistics, which were gathered and issued by CNR in September 2011, Poland elicits an abundance of superlatives: a record evolution of its activities in 2010 (+16.7%), second European country behind Germany and ahead of Spain and France, leader in international RFT in each and every category, and leading European cabotage operator. Thus, its growth in the European RFT market both whets many an appetite and raises a number of questions.

As the regulations place all European countries in the same category, the way Poland managed to distinguish itself from other countries of the same size is worth an in-depth study into its economic conditions. Does this success originate from lower tax rates, optimised operating costs, or distortions in competition?

To answer this question and introduce Polish RFT to French hauliers, CNR decided to undertake a study, which was carried out in partnership with the VCI consultants. This comprehensive 60-page survey is fully available on CNR's website: www.cnr.fr, heading "*Etudes CNR Europe*". This document offers a synthesis that underlines the capital points of the survey and compares them with French RFT. For any further information, please contact Mr. Alex Ugurlu at the CNR, a-ugurlu@cnr.fr.

Economic framework

Poland was the only European country with a positive growth rate in 2009 (+1.1% vs. an average -4.8 % in the EU) during the economic crisis. Its economy is booming thanks to a dynamic private sector and direct foreign investments which have been pouring in the country for the last ten years. Its banking industry is stable and has little significant exposure to subprime risk.

Polish industry is developing. However, the country still exhibits a trade deficit. This results from Poland importing products with higher added value than those exported. Its main trading partner is Germany. The latter absorbs 23% of all Polish exports and provides 20.9% of its import volumes.

2010 Framework Data

	France	Poland	unit
RFT operated in the EU by the flag holder	182,193	210,846	million t-km
Rail transport of goods (domestic)	29,952	48,705	million t-km
Number of companies in the RFT sector*	36,286	74,645	
Number of tractors in the RFT sector*	211,918	201,282	
Number of semitrailers with a payload over 20 Tons*	313,000	236,356	
Number of rigids with a payload of 15 Tons and over*	45,718	26,843	

*2009 Source : Eurostat

As for infrastructures, the country's sustained growth needs constant public investment in all areas. The existing roads are completely inadequate and saturated. The country lacks a full motorway network and every stage in the construction of the main motorways, A1 and A2, is highly politicised. The construction of the missing sections of the A2 motorway (Warsaw - Germany, horizontal axis), financed by European funds, was outsourced to a Chinese consortium, which gave up the project. That of the A1 motorway (Gdansk – Lodz – Czech Republic, vertical axis) is not moving any faster. Several construction design issues were discovered, which led to the termination of the public-private partnership agreement. Later on, the construction was outsourced again to the very same company. Consequently, a few existing privatised sections remain isolated. The railway network, a legacy of the communist era, is dense, well organised and duly operated. Transport of freight by rail exceeds that of France by 60%. Polish sea transport, which suffers from ageing infrastructures, is centred on and around the port of Gdansk.

Poland has decided to make its priority infrastructure investments so as to both increase the mobility of the workforce and improve its competitiveness. The country has a substantial amount of Structural and Cohesion Funds of the EU included in its programme for 2007-2013.

RFT evolution in French and Polish 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
Pologne	102,807	111,826	128,315	150,879	164,930	180,742	210,846
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
Pologne	58,825	60,940	59,420	65,769	71,917	79,207	86,154
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
Pologne	43,982	40,886	68,895	85,110	93,013	101,534	124,692

* in EU + Norway + Switzerland + Liechtenstein

Source : Eurostat

The Polish RFT, the second in terms of tonne-kilometres (t-km) in Europe, takes advantage of its geographical location between Eastern and Western Europe, of a low labour cost, of the opening of the European haulage market, and lately of the Polish Zloty rate, depreciated vis-à-vis the Euro and therefore export friendly. Most of the Polish RFT activity is international and increased three-fold between 2004 and 2010.

Organisation of the RFT sector in Poland

The number of RFT companies of all sizes is estimated at almost 80,000, including over 25,000 of them with mostly international activities. There is believed to be some 126,000 HGVs[1] operating internationally. These statistics are steadily increasing although their growth rate dropped during the economic market crisis. The companies with 5 employees or less are the majority (60%,) but the class of companies with more than 20 employees is considered to make the most significant growth.

The international RFT sector is principally centred on the ZMPD professional organisation, which accounts for 4,500 companies with a fleet totalling 70,000 vehicles. There are several driver unions but driver membership remains exceptional, except in the case of a dispute with their employers. ITS (Road Transport Institute) manages, coordinates and shares the research and development work related to road transport. However, its surveys into RFT activities are unsatisfactory due to inconsistent sampling and a very low rate of questionnaire completion.

The RFT sector seems to have adapted very well to the technical conditions required by the European market. The fleet is rather recent, and the use of second-hand vehicles is infrequent. The major Polish companies have adopted modern management methods, thus enabling them to enhance their economic efficiency. The foreign companies (notably German) operating in Poland have given rise to additional competition in this sector, especially in terms of quality. Their Polish colleagues have been quick to follow them.

There are a large number of individual drivers, which is specific to all Eastern European countries. Some of them, who can be assimilated to wage earners, do not own a vehicle but work in a haulage company on a regular basis via contracts for the provision of services. As they are not employees, these drivers are not governed by labour laws, are entitled to neither paid leave nor job security, except during the period of their business contract. This practice, which is tolerated by the Polish law, used to be much favoured by the drivers

[1] Heavy Goods Vehicle

in the early 1990's but has become scarcer nowadays. Indeed, some tax concessions related to travelling expenses, of which they were the sole recipients, have now been granted to the whole sector.

Collective agreements exist in Poland, although they are not mandatory. During the course of the survey, no companies or employees declared they were subject to a collective agreement.

Operating costs

The growing weight of the Polish RFT in Europe and the need to analyse its competitiveness have encouraged CNR to carry out an in-depth survey of the Polish companies' operating costs. The survey was carried out along two main axes: first by means of interviews with companies in Poland to understand how they work and to assess their operating costs, and then in large HGV car parks on the Spanish motorways, where Polish drivers were asked about their incomes and working conditions.

The main difference with the French flag is the heavy operation rate of HGVs. In average, a Polish 40-tonne HGV is driven almost 40,000 km more per year than a French truck. This is due to the longer driving time of the Polish drivers, as well as to the larger number of drivers covering their colleagues during their days off. To maximise driving efficiency, the drivers are often placed on paid leave during the bank holidays in the countries they drive across, should these days be impeded by driving restrictions.

Among the other operating costs, fuel is cheaper in Poland and consumption is lower than in France, especially because of lower load rates and more frequent empty runs. In addition, the Polish companies systematically give precedence to motorways. The geography of their main markets (Germany, the Netherlands, Belgium and France) and the choice of night driving also enable them to save fuel. Maintenance and repair are twice as cheap in Poland due to lower labour costs. Insurance and the axle tax are more costly in Poland than in France. During the interviews, a major Polish haulier stated that he achieved significant fuel and tyre savings thanks to nitrogen filling.

Comparison between French and Polish operating costs for a 40-ton HGV - December 2011			
	unit	France	Poland[1]
Yearly mileage per vehicle	km	116,100	155,760
Number of operating days	days/year	231	281
Semitrailer/tractor ratio		1.32	1.17
Driver cost	€/year	46,402	19,686
Driver/tractor ratio		1.07	1.18
Yearly cost of vehicle ownership and its financing	€/year	14,078	14,300
Average consumption per 100 km	L/100 km	34.2	31.2
Cost of fuel, December 2011[2]	€/L	1.099	1.008
Cost of fuel	€/year	43,637	49,063
Tyres[3]	€/year	3,251	4,000
Maintenance-repairs	€/year	8,243	4,200
Tolls	€/year	8,367	10,124
Insurance (vehicle)	€/year	2,611	2,850
Axle tax and other vehicle taxes	€/year	517	715
Cost synthesis (excluding structural costs)		130,354	108,481
Cost/mileage ratio per annum	€/km	1.123	0.696
Base 100 France		100	62
Cost/number of operating days ratio	€/day	566	386
Base 100 France		100	68

[1] rough values, PLN (Zloty) average rate in 2011: 1€ = 4 Zlotys

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

[3] according to a Polish company, tyre filling with nitrogen has

According to CNR's estimates, the cost/km ratio (excluding structural costs) in Poland is 38% lower than that in France. This variance results from the savings on the vehicle operation and the lesser cost of the drivers.

Driver employment and cost conditions

The working time and the driving measures have been brought into line with the European regulations. Directive EC 2002/15 had been incorporated into Polish law even before the country's entry into the Union. The Polish labour code has set the legal working time to 40 hours. Freely paid overtime cannot exceed an average of 8 hours a week, which allows for a weekly working time of 48 hours in total. In theory, overtime is restricted to 260 hours per calendar year, although this is not displayed on payslips.

Trial periods do not exist as such in Poland. Indeed, they have to be subject to a trial contract (not exceeding 3 months) but their implementation is not mandatory. The Polish companies we met stated that they hire new employees on a fixed term basis and extend it until they trust them completely. Several Polish drivers stated that the fixed term contracts were extended to as long as 3 years, and the notice periods were very short. Both fixed term and permanent contracts give entitlement to paid leave, the length of which depends on the employee's professional experience. Higher education is regarded as professional experience. An employee with less than 10 years' experience is entitled to 20 working days' paid leave per year. With more than 10 years experience, they amount to a yearly 26 working days. However, the Polish labour code allows the employees to be paid should they work on their days of paid leave. Most drivers follow this model and receive additional remuneration by year end.

In this environment where collective agreements are not applied, remunerations are established by both company-level agreements and employment contracts. However, there exists a national minimum wage amounting to 1,386 PLN gross/month (in 2011), i.e. less than €350. Social security contributions are well below European average. The employer settles 18.48% contributions on the gross salary, while the employee pays 13.71%. Income tax is levied at source, half of which is withheld at source every month as an advance, and the remaining 50% is paid by year end after deducting social benefits and other allowances. Overtime is theoretically dependent on social contributions and can be freely increased, but no such heading appeared on any of the payslips that were produced during the interviews.

The amount of travelling and living expenses, which is mostly euro-denominated, is set by law for all employees (in all sectors) according to the country they drive across. For instance, the daily travelling expenses amount to €45 for a 24-hour stay in France, €42 in Germany and Italy, and €48 in Spain. They are not liable to social contributions or income tax.

The analysis of the payslips collected in the Polish RFT companies and during the drivers' interviews, shows great creativity in the calculation and accounting entries of their employees' remunerations. The most frequent cases are as follows:

- The driver receives a monthly gross fixed salary of €500 to €600 (€300 to €350 take-home after tax and contributions). He receives this salary throughout the year, irrespective of his workload. The fixed salary is topped up by a variable part. Although it is prohibited by European (CE 561/2006, article 10) and Polish regulations, the variable part of the remuneration of over 60% of the drivers matches the travelled mileage. The scale is 9 Euro cents net per kilometre in the Western and Southern regions of Poland, where RFT companies specialised in international haulage are numerous. For instance, a driver who drives 11,500 km in one month of full activity is paid almost €1,350 take-home (including €1,035 variable pay). In the period when he decides to take paid leave, he only receives the fixed part of his salary. The estimated annual cost for this driver's employer hovers around 19,000 €, of which €17,780 gross annual salary and €1,220 (i.e. 6.8%) employer contributions. The drivers also receive safe driving premiums and Christmas bonuses, the annual amount of which does not exceed €500. In accounting terms, the variable part is shown on the payslip as travelling expenses. In the above case, the driver can see on his payslip €1,035 travelling expenses for 23 days spent in France, at the rate of €45/day.

- In the case of young or newly hired drivers, thus working on fixed-term contracts, the company calculates the whole salary in accordance with the monthly mileage. In the case of no fixed salary, the net mileage scale is 11 € cents. For a driver driving 11,500 km a month, the take-home monthly salary would amount to €1,265. Once again, the accounting entry for this type of remuneration is done as a fixed salary (in the case in point the minimum wage, viz. about €350 gross) plus travelling expenses.

- 20% of the interviewed drivers mentioned a third method of wage calculation. It is said to be based on the invoice amount of the transport operation. According to the fixed part of their wage (from €350 to €600 /month), they are alleged to receive a variable part between 8 and 10% of the transport price invoiced by their employer. So the company's risk is shared by the employee. On the payslip, the variable part is expressed in travelling days.

- A few drivers stated they would receive a lump sum per delivery round, the amount of which varies according to the countries and the time spent. They stated that this method enabled them to reach a remuneration 10% higher than average.

- Some drivers also receive a lump sum for each country they drive across. For instance, driving across Germany from East to West is believed to get them almost €125 take-home.

Despite the multiple methods for remuneration calculation, the first, which is based on a premium per kilometre, seems to be the benchmark toward which the other instances converge. With this method, the cost of a Polish driver may be assessed to 36% of that of a French driver.

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

	unité	France	Pologne
Gross salary (miscellaneous bonuses and overtime included)	€/year	28,668	6,850
Travel expenses	€/year	8,560	11,569
Employer contributions (after deduction of state aids)	%	32.0	18.5
Annual cost total	€/year	46,402	19,686
Number of actual working days per year	day/year	216	238
Number of actual working weeks per year	week/year	42	44
Driving time per year	hours/year	1,599	1,980
Annual mileage		108,505	132,000
Cost of one hour's drive	€/hour	29.03	9.94
Base 100 France		100	34
Cost per kilometre	€/km	0.43	0.15
Base 100 France		100	35

Source : CNR

Polish companies' operating costs (excluding driver's cost) and quality of service have moved much closer to the levels of their Western competitors. This modern fleet operating internationally aims to be exemplary. European regulations governing working, driving and rest periods are broadly fulfilled. However, Polish RFT companies mainly base their competitive edge on drivers cost. Polish companies are certainly not the only ones to engage in practices bordering on legality in European law. Reducing distortions in competition notably calls for harmonisation of the States' implementation policies.