

CNR EUROPEAN STUDIES

## Road freight transport in Italy

### Abstract

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Italy, in Southern Europe, Founder Member of the European Union (EU) in 1957 and the euro zone in 1 January 1999, has benefited over the years from the various economic co-operation initiatives implemented between the Member States, whilst at the same time being an active partner in the development of the EU.

Since the global economic crisis in 2007 Italy's economy has shrunk by more than 9%. The country has thus had to deal with thirteen months of recession. However, it would appear that the Italian economy started picking up in 2015 and is now emerging from the crisis. It returned to growth in 2017.

Italian road freight transport (RFT), for its part, has remained relatively stable. In 2016, the Italian sector was again ranked sixth for total European road freight transport activity, behind France. Italian RFT also appears to be evolving in the face of pressure from Eastern European countries.

In order to better understand the characteristics of the Italian sector and its place in European RFT, the CNR updated its study on Italian RFT in 2017. It was done in collaboration with the consultancy *Conseil Énergie et Transports* (CET). The complete version can be viewed on the CNR website at: [www.cnr.fr](http://www.cnr.fr), in the CNR Publications/Europe 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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As an industrial and agricultural nation, ranked ninth in the world for trade in goods and services, Italy can count on the dynamism of its foreign trade. In 2015, trade accounted for 57% of Italy's GDP. Italy's foreign trade balance has been in surplus since 2012.

Despite these good results, the Italian economy remains vulnerable. Although the country is gradually returning to growth, + 1.7% in 2017, public debt is still at very high levels, 132% of GDP. The unemployment rate has also remained very high, 11.7% in 2017, and has changed very little since the 2007 economic crisis. Italy is also having to deal with the number of young people leaving the country, as these are the main victims of the crisis, with unemployment of around 35%. In addition, 15% of Italian university graduates choose to go abroad. At the same time, the country is affected by the significant regional inequalities between the North, which is highly industrialized, and the South with its relatively poor rural regions.

In terms of infrastructure, with 251,042 kilometres of roads, road transport predominates in the country. However, there have been changes since the 2014 study, with an expansion of the railways. Italy, via the national undertaking "Ferrovie dello Stato Italiane", is keen to increase rail freight transport, by unblocking €1.5 billion over the 2017-2028 period. Therefore, in order to rebalance the various modes of transport and reduce congestion on the country's motorways, the State is investing heavily in both rail and maritime transport via the "ferrobonus" and "marebonus" programmes. See pages 10 and 12 of the full study for further information.

## Activity growth in Italy's RFT sector

Despite a steady decline in its activity, -5.7% between 2008 and 2016, for both domestic and international business, Italian RFT has managed to maintain its ranking within the European flags. The decline is more pronounced internationally with a decrease of nearly 10% versus 5% nationally. 89% of RFT activity in the sector is thus achieved nationally.

In the same way, the cabotage activity of the Italian flag decreased steadily over the period studied. On average over 8 years, the activity has fallen by almost 9%/year. The main countries in which Italy has the most cabotage activity are Germany and France, with 33% and 60% respectively of the cabotage activity of the Italian sector in 2016. Since 2013, France has been the country with which the Italian RFT has the highest cabotage activity.

Italy, moreover, receives 3 times more cabotage than it carries out.

| RFT* evolution in France and Italy |         |         |         |         |         |         |         |         |         |                        |
|------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|------------------------|
| Transport Total                    |         |         |         |         |         |         |         |         |         | million of t.km        |
|                                    | 2008    | 2009    | 2010    | 2011    | 2012    | 2013    | 2014    | 2015    | 2016    | Ratio t.km/GDP<br>2016 |
| France                             | 206,304 | 173,621 | 182,193 | 185,685 | 172,445 | 171,472 | 165,225 | 153,580 | 155,843 | 70                     |
| Italy                              | 180,461 | 167,627 | 175,775 | 142,843 | 124,015 | 127,241 | 117,813 | 116,820 | 112,637 | 67                     |
| Domestic Transport                 |         |         |         |         |         |         |         |         |         | million of t.km        |
|                                    | 2008    | 2009    | 2010    | 2011    | 2012    | 2013    | 2014    | 2015    | 2016    | Ratio t.km/GDP<br>2016 |
| France                             | 181,879 | 156,021 | 164,325 | 168,242 | 156,449 | 155,712 | 151,112 | 141,242 | 144,205 | 65                     |
| Italy                              | 151,823 | 145,610 | 149,248 | 127,681 | 111,785 | 111,975 | 102,351 | 104,104 | 100,282 | 60                     |
| International Transport            |         |         |         |         |         |         |         |         |         | million of t.km        |
|                                    | 2008    | 2009    | 2010    | 2011    | 2012    | 2013    | 2014    | 2015    | 2016    | Ratio t.km/GDP<br>2016 |
| France                             | 24,425  | 17,600  | 17,868  | 17,443  | 15,996  | 15,760  | 14,113  | 12,339  | 11,638  | 5                      |
| Italy                              | 28,638  | 22,018  | 26,528  | 15,161  | 12,230  | 15,266  | 15,462  | 12,716  | 12,355  | 7                      |

\* in EU + Norway + Switzerland + Liechtenstein

Source: Eurostat

The practices of the Italian carriers have also changed since the last CNR study. They rely increasingly on foreign drivers from their subsidiaries based in Eastern European countries. The massive numbers of subsidiaries opened in these countries means they are able to benefit from lower costs for drivers. In some cases, non-Italians are also hired directly by the parent company in Italy after a "trial period" with the foreign subsidiary. The CNR has noted when carrying out the studies that there are differences in remuneration amounting to almost 20% between Italian drivers and foreign drivers, all of whom work under Italian contracts.

At the same time, in order to not lose their market, Italian companies are increasingly choosing to transfer a significant proportion of their international RFT operations to these low-cost subsidiaries.

The 2017 study also revealed that major Italian RFT companies have implemented changes in their strategic orientation. They are, in fact, beginning to change their business model. They are increasingly becoming freight forwarders or organizers rather than carriers. These companies are also starting to focus on more lucrative activities such as logistics and niche markets, for example luxury or air transport.

Finally, the "Padrocini", who are similar to "owner-drivers", have almost disappeared from the international RFT landscape, but are still significant in the domestic market in Italy.

## Operating conditions and costs

In the framework of its international studies, the CNR organises interviews with local carriers and drivers in order to estimate conditions and operating costs and to observe the market. In 2017, the CNR met with 10 representatives of companies at their premises and around 20 drivers at car parks outside of the country. The interviews with carriers were conducted in the Trentino-Alto Adige and Veneto regions, where there is a high concentration of companies engaged in international freight operations.

| <b>Comparison of operating conditions and costs excluding structural costs, for a 40-tonne HGV<br/>2017 values</b> |             |                |                |
|--|-------------|----------------|----------------|
|  | <b>unit</b> | <b>France</b>  | <b>Italy</b>   |
| Yearly mileage of vehicle  | km          | 114,100        | 135,540        |
| Number of operating days   | days/yr     | 230            | 245            |
| Semitrailer/tractor ratio  |             | 1.40           | 1.30           |
| Driver cost  | €/yr        | 47,758         | 55,055         |
| Driver/tractor ratio   |             | 1.06           | 1.08           |
| Yearly cost of vehicle financing and possession  | €/yr        | 15,261         | 15,525         |
| Average consumption per 100 km   | litres      | 31.5           | 34.8           |
| Fuel cost. 2017 average (1)  | €/litre     | 0.9108         | 0.919          |
| Fuel cost  | €/yr        | 32,737         | 43,347         |
| Tyres  | €/yr        | 3,195          | 3,750          |
| Maintenance-repair   | €/yr        | 8,786          | 6,500          |
| Tolls  | €/yr        | 9,624          | 17,500         |
| Insurance (vehicle)  | €/yr        | 2,248          | 3,600          |
| Axle tax and other vehicle taxes   | €/yr        | 516            | 1,509          |
| <b>Synthesis – cost price (except structural costs)</b>  |             | <b>122,990</b> | <b>151,191</b> |
| Cost/mileage ratio per annum   | €/km        | 1.08           | 1.12           |
| Base 100 France  |             | 100            | 103            |

(1) after partial recovery of excise duties

Source : CNR European studies

The annual mileage per vehicle, as recorded in the 2014 survey (2013 values), is higher in Italy than in France and continues to grow. The number of operating days also increased over 2017.

The price of vehicles has risen since the last CNR study. In 2017, the annual cost for financing and owning a vehicle was €15,525/year compared with €13,858/year in 2013, i.e. an increase of 2.9 %/year over 4 years. Compared with the French sector, this cost item has remained at similar levels. For the record, in 2017 the Italian government made available financial aid in order to replace ageing vehicles. However, these incentives have had little impact on international RFT as most vehicles already meet the latest Euro VI standards.

Fuel in Italy is also a particularly high cost, at €43,347/year. There are three reasons for this:- the annual mileage, 135,540 km/year, the unit cost of fuel after partial recovery of excise duties, €0.919/litre, higher than France, and the rugged topography of the country on the main international routes to the North which has a negative effect on consumption (approximately 34.8 litres/100 km versus 31.5 litres/100 km in France).

Tolls remain one of the biggest cost items, at €17,500/year, a level that has remained relatively stable since 2013. These amounts are largely due to the very high cost of travelling through Switzerland and Austria to Germany and the main European ports. For the record, there are a lot of structures, in particular tunnels, where tolls must be paid. The toll budget of Italian transport companies is thus twice that of their French counterparts.

Axle tax in Italy is regionalized. It is calculated and collected at the regional level. It is therefore different from one region to another. This cost item may vary slightly. It should be borne in mind, however, that the amounts of these taxes can not be lower than those fixed at the national and European level. The amounts used in Lombardy have been applied. To this should be added €10.33/vehicle, which corresponds to the annual fee that each company has to pay.

Finally, other cost items have been increasing steadily since the 2014 CNR study.

## Employment conditions and driver employment costs

According to the National Collective Labour Agreement, the normal weekly working hours for drivers is 39 hours per week. Overtime is limited to 250 hours a year, with 4 weeks statutory paid holidays. There is no guaranteed national minimum wage, but the collective agreements must include one. This is the case for the National Collective Labour Agreement which set a standard minimum wage of €1,667.37/month in February 2018 for a 3S class truck driver.

The cost per driver has risen sharply since the 2014 CNR study. Over 4 years, it has increased by 1.75% a year, from €50,487 in 2013 to €55,055 in 2018. This is due in particular to the increase in the agreed minimum wage. The latest version of the National Collective Labour Agreement provides for a gradual increase in the minimum wage for truck drivers of €108 between February 2018 and October 2019, i.e. +6.5% over one and a half years. In all likelihood, this trend will continue over the coming years.

Also, in an attempt to react to competition from Eastern European countries, the National Collective Labour Agreement has introduced a slight flexibility through possible changes in working hours taking into account employers' needs. The latter may impose a change in working hours on the basis of 4 weeks a year. These changes give rise to so-called "discomfort" allowances paid at the rate of €50 per week concerned.

The cost of an Italian driver is 16% higher than that of a French driver, but his productivity is also higher: 17% higher in terms of mileage 17% higher in terms of driving hours. In the balance sheet, the cost of an hour of driving in Italy is estimated at 98% of the French cost, a difference that is narrowing. The 2014 study reported a cost of an hour of driving in Italy that corresponds to 92% of the French cost. The same inflation in respect of the cost per kilometre of an Italian driver: €0.44/km in 2017 versus €0.43/km in 2013.

| Comparison between the cost of drivers in France and in Italy 2017 values                                     |         |         |         |
|---|---------|---------|---------|
|   | Unit    | France  | Italy   |
| Gross salary (miscellaneous bonuses and overtime included), subject to social contributions nor to income tax | €/year  | 29,544  | 30,141  |
| Travel expenses and other elements of remuneration not subject to social contributions nor to income tax      | €/year  | 9,114   | 10,806  |
| Employer contributions (after deduction of state aids)*   | %       | 30.8%   | 38.9%   |
| Employer contributions in absolute terms  | €/year  | 9,100   | 11,725  |
| Annual cost total   | €/year  | 47,758  | 55,055  |
| Number of actual working days per year  | day/yr  | 217     | 227     |
| Working time per year   | hour/yr | 1,580   | 1,850   |
| Annual mileage  |         | 107,642 | 125,500 |
| Cost of one hour's work   | €/h     | 30.23   | 29.76   |
| Base 100 France   |         | 100     | 98      |
| Cost per kilometre  | €/km    | 0.44    | 0.44    |
| Base 100 France   |         | 100     | 100     |

\*after Fillon deductions in France

Source : CNR European Surveys

In conclusion, it appears that the regulatory efforts taken to introduce increased flexibility into the labour market met resistance from employees and resulted in only marginal changes. At the same time, the Italian flag experienced continuous cost increases and its competitiveness has been undermined in respect of competing sectors. The cost per kilometre of an Italian heavy goods vehicle, excluding structural costs, remains one of the highest in Europe. The proximity of low-cost flags in Eastern Europe such as Slovenia, Croatia, Hungary and Romania negatively impacts the sector even more. In response, Italian RFT companies are adapting by relocating or often by abandoning pure carrier activity in favour of foreign outsourcing.