

CNR EUROPEAN STUDIES

## Road freight transport in Slovenia

### Abstract

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Slovenia, a small state in south-eastern Europe, enjoys a strategic geographical situation due to its location at the crossroads between the Mediterranean, the Alps and the Balkans. This pivotal location means that it has special relations with the countries of Western Europe, in particular Italy, Austria, Germany and, to a lesser extent, France and the Benelux countries. Since its independence from Yugoslavia in 1991, Slovenia has been moving closer to the European Union (EU), which it joined in 2004, and to the eurozone, which it joined in 2007.

On the economic front, Slovenia experienced a severe recession following the global economic crisis in 2008, with a 10% contraction in real GDP between 2009 and 2013. It was only in 2014 that the country saw a sharp rebound, which lasted from 2015 to 2018.

In 2016, Slovenian road freight transport (RFT) remained stable. Slovenia ranks 12<sup>th</sup> among European sectors in terms of total international activity and 7<sup>th</sup> in terms of cross-trade RFT activity. A genuine economic and geographical crossroads with access to two European corridors, and known as the “Switzerland of the East”, Slovenia is able to control a portion of freight transport between the Western countries and the former countries of Yugoslavia, Bulgaria, Greece and Turkey.

In order to better understand the place of the Slovenian sector in the European context, the CNR carried out a study on the Slovenian RFT sector between 2017 and 2018. It was conducted in collaboration with the research firm Visemont. 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

Slovenia boasts an open market where economic operators have a long history of trading with neighbouring countries, both with the other republics of the former Yugoslavia and with Germany, Austria and Italy. Its foreign trade is thus marked by a regional geographical dimension.

GDP growth, +4.9% in 2017, remains above the European average of +2.4%. The unemployment rate reflects the growth rate. It has been decreasing steadily since 2014, reaching 6.6% in 2017. The forecasts for 2018 are also positive, with a growth rate estimated at +5% and an unemployment rate of 5.2%. The Slovenian economy seems to be gradually returning to its pre-crisis situation.

As far as freight is concerned, road transport remains predominant, accounting for almost 67% of the country's inland freight transport. Slovenia has a good quality road network that is conducive to the development of the RFT sector. Efforts are also being made in the rail and maritime sectors. 21.3 million tonnes of goods were transported by rail and 22.3 million tonnes of goods passed through the ports, mainly the port of Koper,

Slovenia's largest, in 2017. In the maritime sector, expansion work is underway to accommodate larger vessels in Slovenian ports. Investments in the rail network are also being examined in the region.

### Evolution of the RFT sector in Slovenia

The Slovenian RFT sector is maintaining its ranking with respects to other European sectors and is continuing its growth internationally.

In 2016, total Slovenian RFT activity grew by 4.5%, in line with the EU28 average of 4.8%. Nearly 90% of RFT activity is conducted internationally.

RFT* evolution in France and Slovenia										
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
Slovenia	16,261	14,762	15,931	16,439	15,888	15,905	16,273	17,909	18,707	464
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
Slovenia	2,636	2,276	2,288	2,177	1,849	1,889	2,062	2,069	2,134	53
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
Slovenia	13,625	12,486	13,643	14,262	14,039	14,016	14,211	15,840	16,573	411

\* in EU + Norway + Switzerland + Liechtenstein

Source: Eurostat

The Slovenian sector stands out for its highly developed cross-trade RFT activity, which alone accounts for more than 40% of the sector's international activity. Slovenia's cabotage activity represents 5% of its international road freight transport and it has increased significantly since 2013. Today, it is an important growth niche. The countries most impacted by the Slovenian cabotage are Germany, Italy, Austria and France, the country's main economic partners.

### Operating conditions and costs

In the framework of its international studies, the CNR organises interviews with local hauliers and drivers in order to evaluate conditions and operating costs and to observe the market. In 2017, the CNR met face to face with approximately 10 representatives of companies and around 20 Slovenian drivers at car parks and rest stops in Austria and Hungary.

As was previously noted in the 2013 study, the Slovenian sector is once more distinguished by a relatively intensive use of its vehicles, around 130,540 km over 250 operating days. In exceptional cases, the distance travelled can sometimes exceed 150,000 km according to some drivers interviewed.

In addition, fuel consumption has significantly decreased since 2013, from 35.7 litres per 100 km to 30 litres per 100 km. This is due in particular to the greater number of new Euro VI vehicles in the fleets of Slovenian companies. As a result, fuel costs fell de facto from €51,741/year to €38,702/year, or -5.6%/year over 5 years. It should also be remembered that Slovenia introduced a partial refund mechanism for excise duties in 2009. The partial refund rate is currently €6.27/hl, bringing the net rate of excise duty on commercial diesel to €40.63/hl.

With regard to other operating costs, the annual cost of vehicle financing and possession remains lower than in France, due in particular to more intensive and longer vehicle use.

Driver costs have changed little since the last study in 2013, rising from €24,033/year to €24,646/year in 2018, an increase of +0.5%/year over 5 years.

Maintenance and repair costs are particularly low compared to those observed in France: €4,950/year in Slovenia compared to €9,185/year in France. These low costs are mainly due to advantageous maintenance contracts negotiated as part of the credit lease, but also to low cost of maintenance often realized in neighbouring countries of the former Yugoslavia such as Croatia.

Tyre costs are relatively low, given the annual number of miles covered. On average, this cost amounts to €4,000 per year for 130,500 kilometres. This cost item is particularly difficult to calculate, as Slovenian companies often include the assembly cost in vehicle maintenance costs and retreading in purchases of services which come under structural costs.

Slovenia also stands out from other EU and OECD countries by being the only country not to apply axle tax. In return, motorways are toll-based and mandatory for heavy goods vehicles. Slovenian hauliers must therefore pay a toll of €0.428356 per km for a 40-tonne 5-axle heavy goods vehicle. The toll figure in the table below refers to costs in the main countries crossed, namely Italy, Germany, France and Austria.

<b>Comparison of operating conditions and costs excluding structural costs, for a 40-tonne HGV 2018 values</b>			
	unit	<b>France</b> <i>Statistics</i>	<b>Slovenia</b> <i>Simulation</i>
Yearly mileage of vehicle	km	115,320	130,540
Number of operating days	days/yr	229	250
Semitrailer/tractor ratio		1.44	1.07
Driver cost	€/yr	47,925	24,646
Driver/tractor ratio		1.05	1.07
Yearly cost of vehicle financing and possession	€/yr	15,810	14,268
Average consumption per 100 km	litres	31.4	30.0
Fuel cost. 2018 average (1)	€/litre	1.02	0.988
Fuel cost	€/yr	36,935	38,702
Tyres	€/yr	3,114	4,000
Maintenance-repair	€/yr	9,185	4,950
Tolls	€/yr	10,016	13,900
Insurance (vehicle)	€/yr	2,367	3,000
Axle tax and other vehicle taxes	€/yr	516	0
<b>Synthesis – cost price (except structural costs)</b>		<b>128,264</b>	<b>105,191</b>
Cost/mileage ratio per annum	€/km	1.11	0.806
Base 100 France		100	72

(1) after partial recovery of excise duties in France and Slovenia

Source : CNR European studies

### Employment conditions and driver employment costs

General labour legislation provides for a working time of 8 hours per day, or 40 hours per week. Overtime is limited to 8 hours per week, 20 hours per month and 180 hours per year, with 4 weeks of paid holidays. There are 12 official public holidays. In theory, the workload is limited to 2,020 hours per year. However, overtime is not recorded on any of the pay slips collected during the interviews and drivers benefit from an exemption from the general rules that allows them to work more, in accordance with European regulations.

As most Eastern European countries, there is no collective agreement in the Slovenian RFT sector. However, there is a national minimum wage. It was set at €804.96 gross per month in 2017. It was revised up to €842.79 gross per month in January 2018, an increase of 4.7% in one year. Slovenian drivers are paid slightly above the current minimum wage. It seems that their salary has not risen significantly since 2013. Like lot of employees, they also receive a holiday bonus, sometimes monthly, which they often treat as a 13<sup>th</sup> month of pay.

A change in the methods of calculating drivers' wages has recently been observed. In 2013, drivers were overwhelmingly paid according to the number of kilometres travelled, but this method of calculation is no longer unanimously used by Slovenian RFT companies. Compensation based on a fixed salary supplemented by travel allowances defined according to the destination and the number of days spent abroad is becoming more and more common. For few Slovenian drivers still receiving a fixed salary plus a variable component calculated on the basis of the number of kilometres driven, the rates applied range from 9 to 12 euro cents per kilometre; a clustering around 9 euro cents per kilometre has been observed.

In the previous study, CNR had noticed the Slovenian government's efforts to limit labour costs by reducing employer contributions and transferring some of the costs to the employees. It should be noted that the employer contributions rate has not changed since then, i.e. 16.1% compared to 22.1% paid by employees. Finally, the hourly driver cost has increased only slightly since the previous study and still represents 44% of the French cost.

Comparison between the cost of drivers in France and in Slovenia 2018 values			
	Unit	France <i>Statistics</i>	Slovenia <i>Simulation</i>
Gross salary (miscellaneous bonuses and overtime included), subject to social contributions nor to income tax	€/year	30,552	11,640
Travel expenses and other elements of remuneration not subject to social contributions nor to income tax	€/year	9,765	11,132
Employer contributions (after deduction of state aids)*	%	30.9%	16.1%
Employer contributions in absolute terms**	€/year	7,607	1,874
Annual cost total	€/year	47,925	24,646
Number of actual working days per year	day/yr	218	233
Working time per year	hour/yr	1,602	1,879
Annual mileage		109,829	122,000
Cost of one hour's work	€/h	29.92	13.12
Base 100 France		100	44
Cost per kilometre	€/km	0.44	0.20
Base 100 France		100	46

\*after Fillon deductions in France

Source : CNR European Surveys

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

In conclusion, despite the high degree of integration of the Slovenian sector within the European market and the complete opening of the Slovenian economy, the RFT sector seems to be in line with the model seen in Eastern European countries, with a high volume of work still being generated. Driver employment costs remain very reasonable despite the relatively high minimum wage, which is partly offset, in the final analysis, by low employer contributions.