

Synopsis of the position paper

## **Competition Conditions in the EU road haulage industry: The existing situation and the need for harmonization**

November 2001

### **Need for action**

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*Road haulage is a growth factor:*

The creation of a single market for logistical and transport services in Europe and the resulting increase in the intensity of competition in these partial markets combine to form an important basis for strengthening economic growth. With its high flexibility and availability, *road haulage is essential to the survival of Europe's market economies*, highly dependent on the division of labour.

To this end, a sustainable, modern, and efficient transport industry that accepts the competitive challenges under *fair and equal conditions* and therefore makes a significant contribution to the growth of our economies by providing mobility, is indispensable.

*Unequal conditions for competition*

Cost differences arising from political intervention and targeted state subsidies, and not differing levels of efficiency, result in *competitive distortion*. This is opposed to the ideals of a single market. The ensuing *waste of national economic resources* is not conducive concerning the international competitive pressure on the European Union.

### **Comparison of operating costs in the road haulage industry**

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*Existing competitive distortion:*

The study shows *significant competitive distortion*, which is *disadvantageous to German companies* specializing in road haulage

- > A study of total annual operating costs per commercial vehicle in the eight primary countries in the European road haulage industry (B, D, F, GB, I, NL, A, E) indicates that Germany has the *third highest operating costs* (**EUR 99,791 / DM 195,129** per vehicle/year). Only the United Kingdom and Austria exceed this level. The competitive disadvantage for German trucks amounts to as much as **EUR 6,900 / DM 13,492** per year or up to **EUR 7,873 / DM 15,394** per year taking account of tax allowances. Taking all of the countries outlined in the study into consideration, this figure rises to **EUR 28,025 / DM 54,800** p.a. (for a definition of operating costs and the countries studied, refer to the notes on page 5 and on pages 2 and 3 of the position paper).

> When reduced to the *operating costs subject to political influence* (fuel, vehicle and insurance taxes), the comparison shows Germany to have the second highest burden among the primary countries. *Depending on the comparison country, the tax-related competitive disadvantage for German trucks ranges from 2% to 43%*. Compared with the average value of all countries studied, this figure is around **17%**. In comparison with trucks from the United Kingdom there is a cost advantage of around **62%**. This is largely a result of fuel tax and currency exchange rates.

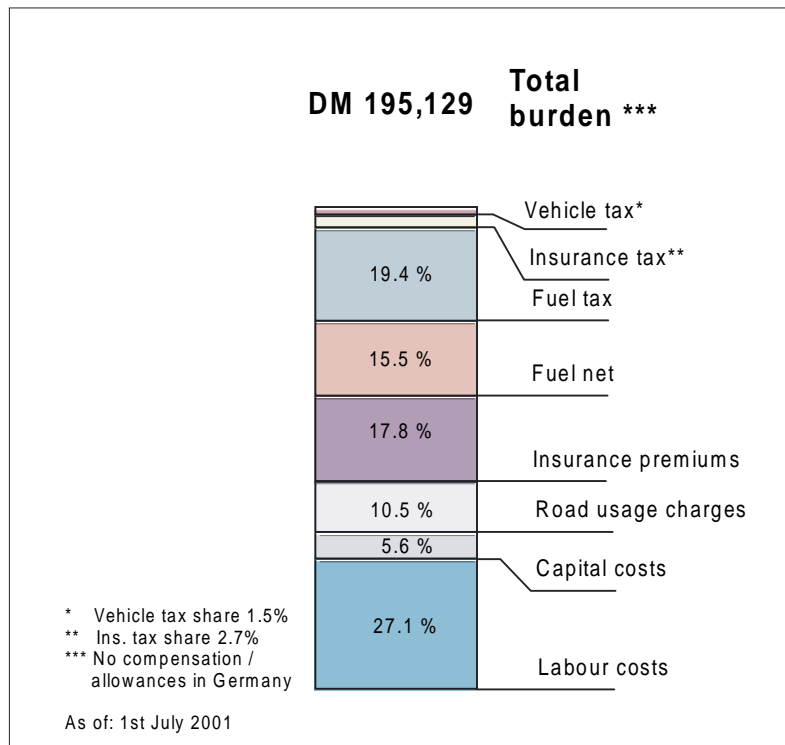
*Unilateral subsidies intensify competitive distortion:*

The existing *competitive distortion is exacerbated by subsidies in individual countries*. The annual fuel and environmental tax allowances for the reference vehicle in the study (40t, 135,000 km, see definition in position paper) were **EUR 1,800 / DM 3,520** in France, **EUR 3,262 / DM 6,379** in Italy and **EUR 1,133 / DM 2,216** in the Netherlands.

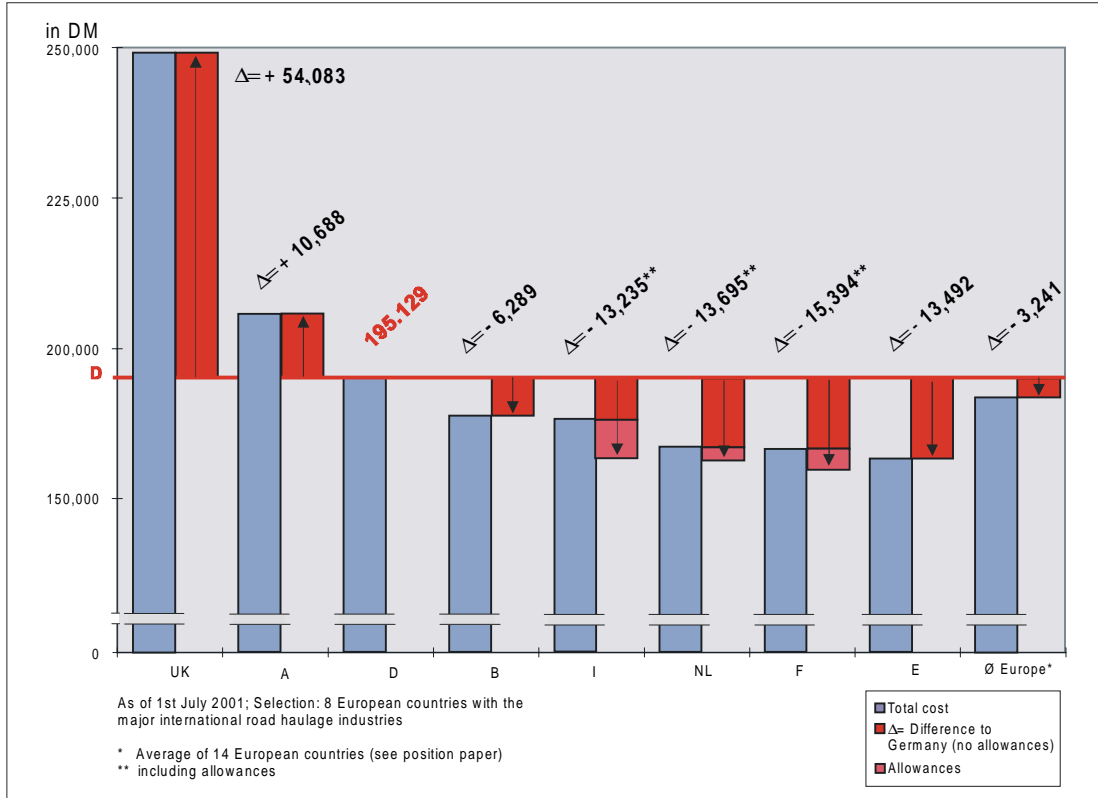
Depending on the scenario, the competitive advantages of trucks from these countries over German trucks *are increased* towards up to **19%** in France, **24%** in Italy, and **31%** in the Netherlands when the operating costs subject to state intervention are included.

On top of this, some countries provide extensive labour cost subsidies and operating benefits. These were not included in the analysis as it is not possible to relate them to a vehicle-based comparison of operating costs.

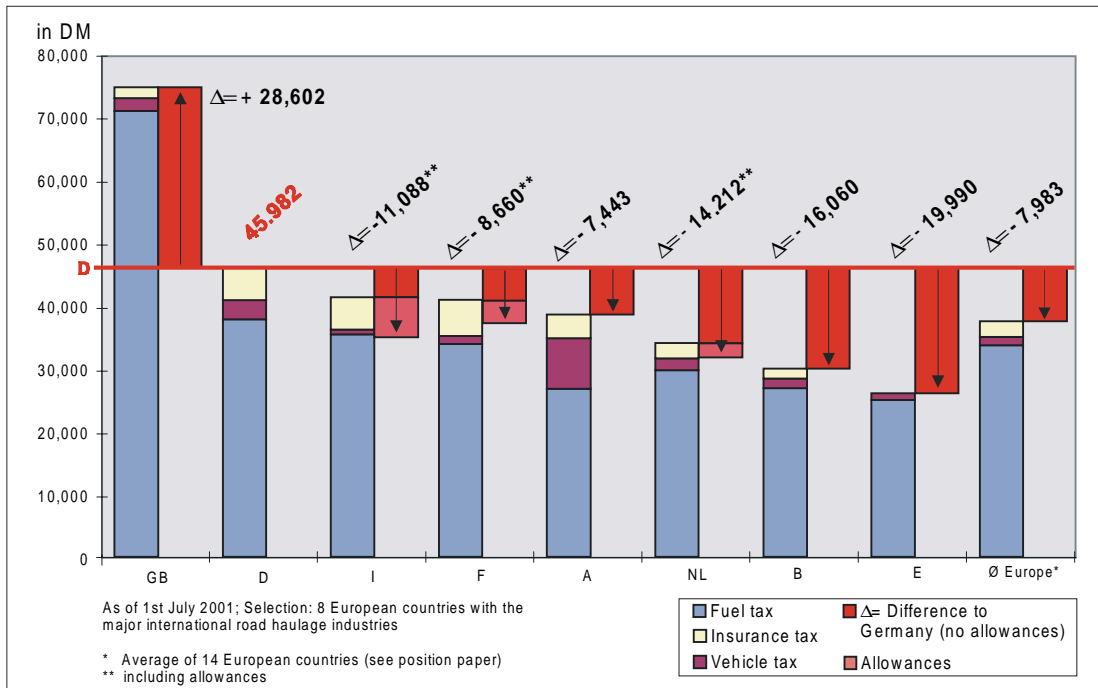
**Key to operating costs in road haulage in Germany (per truck/year):**



**Operating costs and competitive distortion in road haulage (per truck/year):**



**Operating costs and competitive distortion in road haulage subject to state influence (per truck/year):**



## Demands

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### → *Harmonization:*

It is essential to do away with the complex structure of *subsidies and special arrangements* that distort competition in the EU transport industry. In moving toward the political goal of *harmonization of taxation legislation*, the differences in fuel taxes must be eliminated by bringing tax rates into line. This also applies to other relevant taxes and charges, e.g. vehicle tax.

At the same time, it would be desirable to aim for a Europe-wide user financing of the transport infrastructure in such a way *that the vehicle is charged in the country in which the road is used*. However, in doing this, care must be taken to ensure that additional burdens are offset elsewhere *in a fiscally neutral manner* to create a level ground for domestic and foreign trucks. At the same time, it is essential to create the long-demanded *level of transparency and simplification* of taxation systems, both nationally and throughout Europe, by reducing the adjustment mechanisms.

*Depreciation regulations* pose another concealed opportunity to grant tax benefits or enhance competitive advantages in the road haulage industry by providing various investment incentives. The spectrum of depreciation rates and terms also underscore the urgent need for harmonization in this area as well.

### → *Taking steps against illegal employment and illegal haulage:*

*Compliance with social legislation* must be closely monitored and any violations must be *subject to deterrent sanctions*. The European efforts to introduce suitable conditions that would put a stop to competitive distortion on the transport market resulting from *illegal employment, avoidance of social legislation* and so called "*grey market*" haulage, are welcomed, and should be vigorously pursued.

### → *Setting the same standards for all means of transport:*

The competitive conditions in the road haulage industry must be able to *stand up to a comparison with other means of transport*. This particularly applies to labour and social legislation, taxation, and user fees.

### → *Need for harmonization in respect to the expansion of the EU to the east:*

All the factors to be harmonized must also be taken into account in the eastward expansion of the EU. In view of potential price undercutting by central and eastern European companies, which currently amounts to around 30% due to lower wage costs and more favourable social legislation and taxation, clear, appropriate directives must be formulated for dealing with this undercutting until such time as competitive conditions are equalized. In this context, it must be ensured that no discrimination arises from the interaction of the freedom of services and location and the free movement of labour. For road haulage companies, it is essential to *create certainty about these regulations and the anticipated economic and transport consequences* as quickly as possible.

## *Notes on the approach used in the comparison of operating costs in the road haulage industry*

### *Selection of scenarios:*

In order to delimit the scope of competitive distortion, two scenarios were used to compare the operating costs of trucks from 14 European countries. Based on other studies, scenario A assumes that a vehicle fuel tank filled in the vehicle's home country is sufficient to cover the vehicle's full journey. Scenario B looks at the other extreme and assumes fuel intake proportional to the distance driven in the relevant EU country (see supplementary conditions in the position paper). In this way it was possible to present and assess the two possible extremes of the cost situation.

### *Supplementary conditions:*

The calculation of the *average total costs* per annum was made for a standard vehicle, assuming a typical driving style: 40t truck and trailer (17 + 23), Euro 2, without air suspension, with an average driving distance of 135,000 km/year and a consumption of 35 litres of diesel per 100 km. The vehicle is operated in the EU countries studied, with the total driven distance of 135,000 km divided up across these EU countries. The basis of the distance allocation is the share of transport of the relevant country in the overall transport of the countries studied.

In view of the liberalization and free movement in the insurance sector, *insurance premiums* were assessed as being competitively neutral. In view of the openness of capital markets, *capital costs* can also be regarded as virtually competitively neutral. *Road usage charges* are also classified as competitively neutral, as all competitors are assumed to have the same driving profile (see above).

To define the *labour costs*, the relevant driver's wages were calculated. It needs to be kept in mind that for purposes of simplification, only one driver's wage was used as a basis, i.e. correction factors should be used in this case depending on the assumptions (intensity of vehicle use, holiday entitlements, availability of drivers, transport distances, need for a second driver, etc.).

In the case of *compensation*, only those subsidies that could be attributed to each truck were taken into account. In other words labour cost subsidies and company subsidies were not taken into account.

*(For further details, please refer to the original version of the position paper)*

**Note: the full and abbreviated versions of the position paper are available as PDF files on the Internet:  
[www.verkehrsforum.de/aktiv/grundsatz.html](http://www.verkehrsforum.de/aktiv/grundsatz.html)**