

## Report – Hearing of the road haulage sector, 20 April 2009

### "Impact of the economic recession on the road haulage sector"

#### Summary

Demand for road transport and transport performances in tonne/km are closely linked to GDP. As a result, the road transport market is feeling the impact of the economic and financial crisis with effects that can be dramatic in some sectors, but overall no worse than in the rest of the economy. The macroeconomic measures already taken by the EU and global partners are expected to provide relief. In the road sector in particular, in spite of calls to protect hauliers and temporarily close markets, no measures should be taken that could distort the market and need to be remedied at a later stage. The way forward lies in an integrated and innovative approach to transport, which should be funded either by bringing forward investments already planned or by investing new funds into specific sectors, such as driver training or clean vehicles, which will help make the market more efficient. All participants expressed their satisfaction at being able to participate in the assessment of the effects of the crisis, and were invited to submit their contributions in writing.

#### Main findings

##### 1. Situation of the sector

**Road transport is suffering from the current economic and financial crisis**, which followed less than six months after the oil crisis of June 2008 which had already weakened operators. National organisations indicated that the sector has been hit more by a decrease in volumes than by a shock in prices, and the economic slow-down has led to a fall in orders and higher costs due to the smaller loads carried. Competition between hauliers has hardened and bankruptcies, insolvencies and job losses have increased. This is particularly true of small and micro-businesses with limited margins, which do not necessarily have the finances to pull through.

However, the **extent of the crisis** varies according to type of transport. Research shows that the recession is expected to have a dramatic impact on transport related to the construction, automotive and metal working industries and for cross-border transport, whereas some forms of transport (particularly related to food and fast moving consumer goods, agriculture, electrical energy and the mineral oil industry) are likely to feel very little effect from the crisis. Overall though, the sector is facing hard times, as is the rest of the economy.

Following the decrease in demand for road transport, the sector is currently in a situation of **overcapacity**. However, views diverge on how to deal with this cyclical development. The social impact of bankruptcies could be limited by maintaining failing businesses to protect employment. But support to businesses facing difficulties can lead to market distortion, and could also prevent the sector from consolidating.

## 2. Funding & investments

All participants agreed that access to credit and funding was a major problem for businesses. Speakers highlighted the **existing funding opportunities** at Community and Member State level. The existing Community framework already allows Member States to apply various measures to alleviate the effects of the crisis, including State aid for businesses undergoing restructuring and funding for investments in clean vehicles, R&D and training. Funding allocated before the crisis should also be used efficiently. Structural funds can for instance be invested into road infrastructure, helping to further integrate the EU-12 in the internal market and make the market more competitive.

However, State aid can lead to **market distortion** if they are not allocated correctly. One way of avoiding this is by bringing forward investments which were planned before the crisis. Investments in some very specific fields can also be beneficial even if not previously planned, as they can contribute to making the market more efficient and therefore help pay off the extra debt incurred. The investments concerned should strengthen the efficiency of the sector and belong primarily to the fields of infrastructure, new technologies, R&D, and training aimed at professionalising the sector. Training measures come with a particular value-added since they can help deal with unemployable drivers during periods of economic downturn and prepare the upturn.

The **source of new funding** was subject to debate. Internalisation of external costs was particularly controversial. Though on the one hand it is seen as unavoidable and acceptable if applied to all transport modes, some participants called to postpone it until after the crisis. Internalisation should however be seen as long-term project – not only in terms of agenda, since the Eurovignette directive will most likely not enter into force before 2012, but also in its effects which are aimed to strengthen the efficiency of the sector and to provide for the necessary funding for infrastructure and technology development.

## 3. Fiscal and social harmonisation

In the current context of economic upheaval, some participants mentioned the idea of **price regulations and temporary market access restrictions**, for instance in the framework of the so-called "safeguard clause". Though these kinds of measures might bring short-term relief, on the long-term they were recognised to deeply and durably distort the market and should therefore be avoided.

Overall, all participants recognised the need for **further market integration**, in particular in the fields of taxation and social aspects. Issues raised included professionalisation of the sector (cost and content of driver training), simplification of existing rules (for example through the new road package) and rules on driving hours and working time. Improvements in these areas would help make the profession more attractive, which could in turn bring more and better qualified drivers into the business. In particular, specific training for HGV drivers could contribute positively to qualification levels, professionalisation and recognition of the profession of HGV driver.

As a first step, market integration can be achieved through better **enforcement of existing rules**. Though the EU can provide regulations which are directly applicable, Member States need to guarantee they are implemented, for example by providing a sufficient number of officers to perform road checks. This can be difficult in the context of the crisis, given the temptation of certain Member States to weaken checks and protect their own market and industry, but protectionist measures will only lead to inefficiency in the future.

Another point raised by participants was the **complexity and instability of the current legislative environment**. Complicated and rapidly changing sets of rules are particularly difficult to apply for drivers, who need more time to be trained. Participants stressed the need for social dialogue during policy making, as well as the need for a holistic approach and a coherent set of rules.

#### 4. Transport systems of the future

A consensus emerged amongst participants on the **need to respond to the climate change and energy challenge**. In the words of one participant, road transport should be at the heart of sustainable development, since the transport sector has the highest margin for improvement and reduction of CO2 emissions.

Speakers highlighted the **positive effect of innovation on the sector's efficiency and competitiveness**. Hybrid vehicles were mentioned as an area with strong potential for growth, which could be developed as a joint effort with the deployment of alternative fuels. Investments in infrastructure including intermodal transport solutions will also help improve the industry's efficiency and reliability. New transport systems, with stronger links to the logistics sector (Intelligent Transport Systems (ITS), hub and spoke systems), are set to transform the structure of the industry and bring benefits in terms of safety and security.

However, hauliers will need stronger incentives to invest as well as clearly targeted **financial investment support**. Though ageing fleets (especially in EU-12) can be a risk to the environment and other road users, clean trucks are considered relatively expensive given the current credit squeeze. Important investments will also be needed for infrastructure development. This means that innovations in various areas (vehicles, ITS, infrastructure) will need to be carefully coordinated for maximum efficiency.